

FROM BANKS TO UNIONS: ASIAN WOES MOUNT

Seoul Holds 19 Activists Ahead of Mass Strike

By Don Kirk
International Herald Tribune

SEOUL — South Korea's labor confrontation gained momentum with the walkout Wednesday of thousands of workers from auto, shipbuilding and other heavy industries ahead of a nationwide general strike that unions have called beginning Thursday.

South Korean authorities declared the strike illegal and arrested 19 labor activists and threatened to use riot police against strikers, who are protesting job losses in South Korea's economic downturn.

Unions claimed 60,000 had walked out Wednesday and that the number would nearly double Thursday. Government officials said fewer than 10,000 had taken part so far.

The government fears labor unrest will scare away foreign investment needed to help overhaul the economy.

On the eve of the general strike, South Korea's International Monetary Fund slashed its economic forecast for the country, predicting its deepest recession in more than four decades, according to Bloomberg news service.

South Korea's gross domestic product, or total output of goods and services, is expected to shrink by 5.0 percent this year, said Bijan Aghevli, the IMF's Asia-Pacific deputy director.

Thousands of union workers rallied at Seoul's railway station, but no violence was reported as riot police lined the streets from the station to the Myeongdong Cathedral, where several union leaders wanted by police are seeking refuge.



A Daewoo Motors worker, dressed as a beggar, protesting mass layoffs in Seoul on Wednesday. A general strike has been called Thursday.

Among them is the leader of South Korea's national telephone company union, who said in an interview that he will lead his members Thursday in the first general strike in the company's 115-year history unless the government abandons its plan to privatize 11 state-invested companies.

Kim Ho Sun, president of the union of Korea Telecom Corp., said, "Once foreign companies come into the market, they will conflict with other companies, and many more people will lose their jobs." He is directing union members from a tent on the slope in front of the church, a traditional haven for dissidents.

"The most important result is that workers gain self-esteem," said Mr. Kim.

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Shake-Up Looms for Bankers In Thailand

By Thomas Crampton
International Herald Tribune

BANGKOK — One year after the Asian economic crisis began in Thailand, all 15 of the country's commercial banks reported first-half losses Wednesday that were even more severe than the most pessimistic forecasts.

The losses raise new concerns about the viability of the financial system in Thailand and make further bank closures appear inevitable, analysts said.

Since the crisis kicked off last July with the flotation of the Thai baht, financial authorities have already nationalized four banks and forced the closure of 56 finance companies.

The combined losses of Thailand's 15 commercial banks for the first half of 1998 totaled 112 billion baht (\$2.75 billion), while almost all had posted profits for the same period last year.

"At this rate, within two years, fewer than four of the country's operating banks will exist in their current incarnation," said Mark Greenwood, head of sales at Paribas Asia Equity.

"We are going to see dramatic changes in the geography of Thailand's banking sector," Mr. Greenwood added.

Analysts said these changes would include a higher level of competition and increased foreign ownership of banks, and would mean that while the Thai economy may bottom out as early as the end of this year, the country's banks will never return to their former level of profitability.

Bangkok Bank Ltd., Southeast Asia's biggest bank, posted a loss of 16.39 billion baht, equivalent to about 13 percent of the bank's equity base. For the first half a year ago, the bank had a profit of 8.7 billion baht.

Bangkok Bank also reported that 25 percent of its outstanding loans, worth 946 billion baht, were nonperforming.

Thai Farmer's Bank PLC, Thailand's second-largest bank, posted a net loss of 3.9 billion baht for the half, compared with a profit of 5 billion baht last year. Siam Commercial Bank PLC announced a loss of 8.3 billion baht, compared with a profit of 3.68 billion baht.

In the early 1990s, Thailand's banks ranked among world's most profitable, serving as the conduit for more than 80 percent of the money raised in the country's fast-growing economy.

Borrowers did not bother to look overseas for better deals, and a comfortable cartel allowed the country's family-owned banks to charge up to 4 percentage points more on interest for loans than they paid on deposits. This

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Jiang Orders Military To Go Out of Business In Effort to End Rampant Smuggling, Army Must Close Commercial Empire

By John Pomfret
Washington Post Service

BEIJING — President Jiang Zemin ordered the People's Liberation Army to end its decades-old flirtation with capitalism and relinquish its massive commercial kingdom that dabbles in everything from refrigerator-manufacturing to golf courses and karaoke halls, state-run media reported Wednesday.

Mr. Jiang's order came at a meeting of senior military leaders called as part of China's nationwide campaign to fight rampant smuggling, estimated to cost the government at least \$12 billion a year.

Last week, the Communist Party's official organ, the People's Daily, accused the army and the People's Armed Police, China's biggest uniformed internal security apparatus, of involvement in smuggling and warned them to end the illegal practices.

Mr. Jiang's move is part of a series of significant reforms designed to shake up the People's Liberation Army and transform the way it operates. China's leadership has been trying since 1993 with limited success to get the army out of the business of making money and back into the business of defending China.

While it is unclear whether this latest attempt will work, Mr. Jiang's order is the most serious endeavor so far to deal with a problem that is said to be a key impediment to the People's Liberation Army's desire to become a regional and global power. Western military officers have said that the army's money-making efforts have affected its ability to focus on its desire to professionalize and improve the 2.3 million-man force.

"To focus efforts to fully build the military, the central authorities have decided that the army and armed police forces must earnestly carry out checks on all kinds of commercial companies set up by subsidiary units, and without exception from today must not engage in their operation," China's official news agency, Xinhua, quoted Mr. Jiang as saying.

"The whole army must earnestly implement the anti-smuggling work and deployment," Mr. Jiang said, "and strictly investigate problems with some units and people involved with the army and armed police."

Earlier this week, Chinese investigators broadened an investigation into a securities firm with close links to the Guangzhou Military Region. J&A Securities was once one of the biggest underwriters of Chinese stocks in China. Earlier this month, however, investigators reportedly discovered \$120 million missing from its books. J&A Securities is now reportedly being merged with another state-run securities firm called Guotai, Hong Kong press reports have said.

The army's involvement in business has been one of the more remarkable by-products of China's two decades of economic reforms. Experts on China's military estimate that the army owns about 15,000 enterprises that generate revenues of perhaps \$10 billion a year.

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AGENDA

Belgrade Widens Kosovo Security Zone

BELGRADE (Reuters) — Yugoslavia said Wednesday that it would widen the restricted security strip along Kosovo's border with Albania to five kilometers, from several hundred meters, to better fight ethnic Albanian guerrillas crossing the frontier.

Prime Minister Momir Bulatovic

told Studio B television that "Albania must be moved farther away from Kosovo," a Serbian province with a majority ethnic Albanian population, because Thana had failed to prevent guerrillas from entering Kosovo from its territory.

Rebels' military setback. Page 5

Pure, Perfect, Refined

Cutting and sewing on the pavement outside Yves Saint Laurent's show on Wednesday in Paris, haute couture seamstresses and other workers staged a demonstration to plead for their decimated occupation. Inside, Saint Laurent justified their plea by showing a magnificent collection, pure, perfect and refined. Page 5.

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Asian Crisis Strains Unity of ASEAN

By Michael Richardson
International Herald Tribune

SINGAPORE — When Southeast Asian foreign ministers met for dinner in Manila on Thursday on the eve of their two-day annual conference, they will do so as members of a once self-confident club that has fallen on hard times and is not sure how to react.

After a generation of almost unbroken economic growth that brought rising prosperity to their people and international acclaim for their success in fostering regional cooperation, the nine members of the Association of South East Asian Nations have been hit hard by the financial crisis that first started to sweep across East Asia just over a year ago.

As a result, ASEAN is facing new political and economic challenges to its cohesion at a time when its confidence is at a low ebb, officials and analysts say.

The currency depreciations that have led to a deepening recession in the region, shaken political stability and

forced a change of government in Indonesia, ASEAN's largest member, have produced a mood of soul-searching and introspection.

Long-standing tensions within the group, smoothed over in the era of rapid and mutually beneficial expansion of trade and investment, are also resurfacing just as the economic weaknesses revealed by the financial crisis are making ASEAN more susceptible to pressure from external powers, especially the United States and China.

Singapore's information minister, George Yeo, said recently that the economic turmoil confronting the group is the most critical development since it was founded in 1967.

"ASEAN will either become weaker or stronger as a result of it," he said. "We have to work to strengthen ASEAN in this crucial period. We cannot assume that old methods can solve new problems."

Yet the group's politically and economically diverse members — Brunei, Burma, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and

Vietnam — are divided over how to promote closer integration.

Singapore wants ASEAN to help revive business and investment confidence in the region by accelerating the pace of economic integration, including a free trade pact in Southeast Asia that is only scheduled to take effect in 2003.

But some of the countries worst affected by the crisis, such as Indonesia and Malaysia, are reportedly reluctant to open their badly damaged industries and financial institutions to free trade and investment before they have a chance to recover.

Two of the more democratic countries, Thailand and the Philippines, are leading moves for ASEAN to debate economic and political differences openly, thus exerting pressure on other members to change policies that could damage the interests of any member of the group or ASEAN as a whole.

Indonesia, Vietnam, Burma and Malaysia have spoken out against the

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Israelis Call for U.S. Help As New Mideast Talks Stall

Scope of Pullout Makes for a Tenacious Impasse

By Lee Hockstader
Washington Post Service

JERUSALEM — Three days after they began, talks aimed at reviving the Middle East peace process ended abruptly Wednesday, with the Palestinians complaining they had heard no new proposals and the Israelis appealing for fresh American diplomatic intervention.

Although Israeli officials tried to put the best face on things, insisting that gaps between the two sides had been narrowed and a breakthrough agreement is now in sight, many similar statements in the past have come to naught.

"What is needed now is high-level American involvement," said the Israeli defense minister, Yitzhak Mordechai, who headed his side's delegation.

The Palestinians, for their part, never

gave these latest negotiations much chance of success, taking care to mention that they had showed up in the first place mainly because Secretary of State Madeleine Albright requested they do so. Asked Wednesday if the bargaining had broken down completely, the Palestinian leader, Yasser Arafat, answered wryly, "Approximately."

Agence France-Presse, quoting Israeli public television, reported later that both sides had accepted an initiative by Crown Prince Hassan ibn Talal of Jordan to hold another meeting Thursday.

Prince Hassan phoned Mr. Mordechai to tell him that the Palestinians had agreed to his initiative, the television said without providing additional details.

There was no immediate indication as to whether Washington would send its chief Middle East troubleshooter, Dennis Ross, back to the region. White House and State Department officials, some of whom are openly skeptical of Prime Minister Benjamin Netanyahu's intentions, have been wary of investing much more American clout and prestige in trying to restart negotiations that have gone nowhere for 16 months.

The apparent failure of the talks — the first direct and publicly announced negotiations in months — seems to signal a new low point in the already moribund Middle East peace process.

Whatever went on in the talks, the four days of meetings were remarkable for the political hubbub they created in Israel, with a number of Mr. Netanyahu's hawkish coalition partners vowing to



A laughing Benjamin Netanyahu in the Knesset on Wednesday.

bringing down the government if he gave away too much in the negotiations. Each appeared to have a somewhat different idea of what concessions would be intolerable, but most agreed the proposals under discussion were not acceptable.

The Palestinian delegation, led by Mr. Arafat's deputy, Mahmoud Abbas, said it had come to hear the Israeli response to a U.S. proposal put forward earlier this year. The Palestinians have accepted it but Israel has rejected it.

Washington wants Israel to pull back from an additional 13 percent of the occupied West Bank, putting a total of 40 percent of the area west of the River Jordan under full or partial Palestinian control. In return, the Palestinians would take unspecified steps to crack down on terrorists, and would abolish sections of

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Iran Reformer's Ally Gets Interior Post

Reuters

TEHRAN — The Iranian Parliament voted Wednesday to support President Mohammad Khatami's choice for the key post of interior minister.

This came after the majority conservatives chose not to oppose the nomination, preferring instead to promote political peace.

By a vote of 177 to 67 with 22 abstentions, the Parliament confirmed a trusted presidential aide, Abdolvahed Mousavi-Lari, to a post that is vital to implementing Mr. Khatami's social and political reforms.

As minister, Mr. Mousavi-Lari will now have the power to appoint provincial administrators, oversee elections and approve political rallies.

"Today, we must accept that people

do have rights and we must pave the way for the materialization of these rights," Mr. Khatami, a moderate Muslim cleric elected in a May 1997 landslide, told deputies before the secret ballot.

"In this regard, the interior minister has a very sensitive position," he said.

The confirmation vote had been widely seen as a test of strength between President Khatami, elected on a platform of broad social and political change, and the conservative forces that dominate the Parliament and other key levers of power.

However, a second hurdle awaits Mr. Khatami on Thursday, when Tehran's suspended mayor, a powerful political and organizational ally of the president, receives the verdict in his trial on

charges of corruption. Mr. Mousavi-Lari has vowed to carry on the government's progressive policies, including greater political pluralism and expanded social rights for women.

But he also signaled a change in the abrasive style of his predecessor, holding last-minute consultations with the rival camp and promising to work within the letter of the law.

"I had two meetings yesterday with the factions in the Majlis, but I have not accepted any conditions," the 44-year-old cleric told the Parliament in a soft-spoken, low-key address.

"My only condition is observing the law and my style is dialogue and mutual understanding."

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First U.S. Astronaut, Alan Shepard, Dies

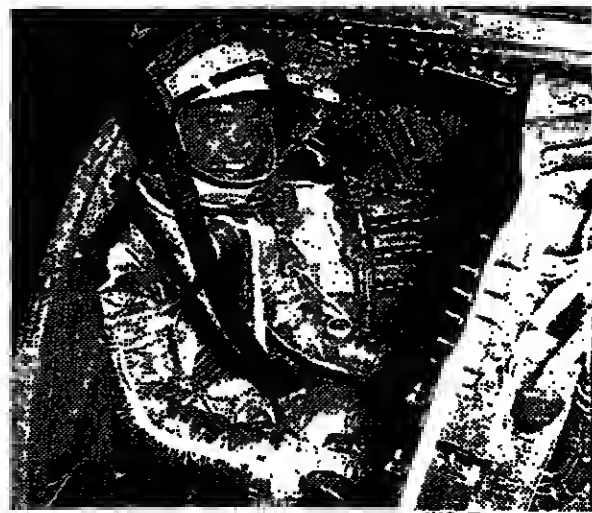
The Associated Press

WASHINGTON — Astronaut Alan Shepard, the first American to fly in space and the fifth human to walk on the moon, has died at age 74.

Mr. Shepard, one of the original seven Mercury astronauts named by NASA in April 1959, died Tuesday night at Community Hospital near Monterey, California, said Howard Benedict, executive director of the Astronaut Scholarship Foundation in Titusville, Florida, who had talked to Mr. Shepard's wife.

Mr. Shepard's family declined to reveal the cause of death, but the astronaut said in a CNN interview earlier this year that he had leukemia.

The former navy test pilot made a 15-minute suborbital flight — five of those minutes in space — on May 5, 1961,



Alan Shepard in the Mercury spacecraft in 1961.

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Newsstand Prices	
Bahrain	1,000 BD
Cyprus	€ 1.00
Denmark	14.00 DK
Finland	12.00 FM
Great Britain	£ 0.85
Greece	€ 0.80
India	Rs. 120
Japan	¥ 120
Kuwait	700 KD

PAGE TWO

Taking a Steppe Back / Mongolians Return to Traditional Nomadism

Model City of the Soviet Era Changes Its Plan

By Thomas Crampton
International Herald Tribune

DARKHAN, Mongolia — It took peculiar logic, residents of this city say, to erect high-rise towers in the middle of the Mongolian wilderness.

There is no obvious reason for Darkhan to exist. There is no confluence of rivers, unique natural resource or object of religious pilgrimage.

But at a site selected seemingly at random among thousands of featureless hills, the best and the brightest Soviet engineers transformed this minor railway stop near the Siberian border into Mongolia's second-largest city and a paragon of industrial socialism.

Now, with the collapse of the Soviet system that supported it, Darkhan is stuck with a painful transition from socialism to capitalism that the government hopes to cushion with the indigenous economic model: nomadism.

"We are encouraging people to leave their apartments, buy animals and go live in yurts," said V. Vandansuren, governor of Darkhan. Yurts are traditional felt-covered Mongolian tents. "There is just no way for so many people to live in this city the way it was designed."

In the last year, the government spent 40 million tugriks (\$47,000) on training 250 families and supplying them with seed so they could grow crops. Several new companies sell yurts to those leaving their apartments.

"People are so confused with the new system, but I explain to them that it costs less to live in a yurt," Mr. Vandansuren said. "You can feed yourself on herd animals and heat the yurt with dried manure."

Mongolia, like other Soviet nations in the Soviet bloc, received massive assistance to create national road and telephone networks, hospitals, schools and factories. But the return of Darkhan to traditional agriculture ends a 40-year experiment, which was blessed in person by the Soviet leader Leonid Brezhnev, to bring nomadic herdsmen into modern apartment blocks and a socialist mentality.

Prize-winning architects and thousands of foreign experts were drafted from Russia, Bulgaria, Poland, Czechoslovakia and Hungary to build the finest factories the Soviet world could offer.

High-rise buildings grew out of the Mongolian steppes. Near them, factories poured forth cement, well-made leather coats and canned meat.

Centrally planned down to the smallest detail, Darkhan's residential area is built upwind of the industrial zone to protect it from air pollution. Buses carried workers on a specially built highway to the factories at dawn and dropped them off each evening in front of one of the two stores that the city's 60,000 residents used.

The apartments included luxuries unheard of in the harsh Mongolian wilderness: indoor plumbing, electricity, central heating and special plugs in each room for a radio tuned to the government station.

Now, with the markets of the Soviet world no longer buying Mongolia's products, virtually all the factories in the industrial zone have gone bust.

Confronted with this new economic reality, Darkhan's residents are physically destroying the



A herdsman grazing his animals in a park in the planned city of Darkhan, Mongolia. Many of the city's residents are returning to traditional nomadism.

city's once highly regimented order. Nomadic herdsmen graze animals in the formerly protected city parks and a market now thrives in the suburbs.

The two government shops have lost most of their clientele to small wooden kiosks that have popped up amid the apartment blocks. Some wealthier shop owners have started smashing the walls down between ground floor apartments to create enlarged shops.

WITH few housing regulations enforced, residents with a mind to barbecue meat in the traditional style simply stoke their fire and shove a pipe into an air duct to vent the smoke, thus sending the scent of mutton wafting throughout the building.

To earn money, many have turned to trade. Ever since he lost his job at the state construction company in 1992, C. Lkhagvasuren has sold a green homemade soft drink during the summer months and invested his profits, with friends' money, in used cars from Europe.

"There are many difficult times during the drive when you must pay bribes to Russian police," Mr. Lkhagvasuren said of the 18-day drive back across Siberia. "But this new economic system allows me to show my ability."

The 30-vehicle caravans of used Fords, Nissans and BMWs reap profits of nearly \$1,000 per car, he said.

Many who have not taken up the so-called "suitcase business" of petty trade leave the model city to

return to the life of nomadic herdsmen.

L. Bayaubajav, 58, was a medal-winning worker in Darkhan's model food-processing factory for two decades, until 1990, when he was forced to return to his ancestral occupation of herdsman.

"There is fresh air and freedom out here. I don't miss anything about living in an apartment in the city," said Mr. Bayaubajav, who now lives an hour's drive outside Darkhan. "I started here with one cow, and now I have 10, along with 40 sheep and 10 horses."

A few minutes away live J. Altan-od and B. Mart, both 22, who married and moved into a yurt after having spent their entire lives in the city and without any knowledge of caring for animals.

"It was very difficult to begin with," Mr. Altan-od said. "You can't see your friends and don't have any place to go out in the evening." Arriving at the start of the harsh Mongolian winter, the couple lasted five months in a grandfather's yurt before selling half their cows to buy a wooden house.

Despite the hardships imposed on people by the rapidly collapsing economy, virtually all Darkhan's residents, including expatriate Russians specialists stripped of former privileges, sounded glad that communism had fallen.

"Under the old system, Russians had good jobs, saunas, a tennis court and billiards tables, but we could not even talk to the Mongolians," said Ludmila Voronkina, a Russian nurse who came to Darkhan a decade ago. "Now my son speaks Mongolian, and everyone in our family has Mongolian friends."

Miroslav Holub Dead; Czech Poet of Irony

By Sarah Boxer
New York Times Service

Miroslav Holub, 74, the Czech poet and immunologist known for his ironic wit, his impatience with irrationality and his knife-like poetry full of scientific imagery, died July 14 in Prague.

One of the major East European poets to emerge after World War II, Mr. Holub was celebrated for his surreal mixture of scientific exactitude and absurdist humor.

Ted Hughes, the poet, called him "one of the half dozen most important poets writing anywhere."

In a book titled "The Government of the Tongue" (1988), Seamus Heaney praised Mr. Holub as a poet who could lay things bare, "not so much the skull beneath the skin, more the brain beneath the skull."

Mr. Holub's poetry, he wrote, is "too compassionate to be vindictive, too skeptical to be entranced, a poetry in which intelligence and irony make their presence felt without displacing delight and the less acerbic wisdoms."

Mr. Holub was born in Pilsen, in western Bohemia, on Sept. 23, 1923. His father was a lawyer who worked for the railroad and his mother was a teacher.

After World War II, he studied medicine at Charles University in Prague and worked in a psychiatric ward there.

He supported himself while a student by working as an editor of Vesmir, a science magazine. In 1953, Mr. Holub received his doctor's degree and went on to work as an immunologist at the Microbiological Institute of the Czechoslovak Academy of Sciences.

In 1958, he received a Ph.D. Later, he developed a strain of nude, or hairless, mice that were used to study various diseases. He wrote more than 150 scientific papers and a monograph, "Immunology of Nude Mice."

But it was for his poetry that Mr. Holub was celebrated. His first book of

poems, "Day Duty," was published in 1958. And he became known in Europe and the United States when his "Selected Poems" was published in 1967 as part of Penguin's series.

Shortly after the Prague Spring of 1968, Mr. Holub became a "nonperson" in Czechoslovakia. Any mention of his work was forbidden. And none of his poetry was published there between 1970 and 1980.

During that period, Mr. Holub continued to work as an immunologist in Prague, but he also wrote poetry, but not expecting it to receive approval for official publication.

In the 1970s his poetry was published in English and in 37 other languages. But in Czechoslovakia, his poems were not published until the fall of communism.

Mr. Holub included many scientific and medical references in his poems.

One titled "The Festival," from the book "Vanishing Lung Syndrome," begins: "At the festival of the patients/with all the known diseases/the crutch choir sings/for the pacemakers/The double astigmatic landscape/gratefully swallows the murmurs of the mitral valve."

A poem titled "Spacetime" employs the physicist Theodor F. E. Kaluza's theory of spacetime in which "the fifth dimension is represented as a circle associated with every point in spacetime."

Michael Denison, 82; "Gentleman Actor"

LONDON (Reuters) — Michael Denison, 82, known as the "gentleman actor," who with Dulcie Gray formed one of the most famous and long-lasting husband-and-wife show business partnerships, died Wednesday in southeast England.

Mr. Denison was renowned for his very English roles in dozens of films and theater productions.

TV's Wise Father and Doctor, Robert Young, Is Dead at 91

The Associated Press

LOS ANGELES — Robert Young, 91, loved by millions of viewers as American television's all-knowing dad on "Father Knows Best" and the compassionate "Marcus Welby, M.D.," died at home on Tuesday.

After a prolific career in films, he went on to even greater success in two long-running television shows that were among the most popular of their respective decades.

"Father Knows Best," which Mr. Young originated on radio in 1949, was moved to television in 1954 and, after a rocky start in the ratings, finished its run in 1959-60 as No. 6. It was so popular that CBS continued it in prime-time reruns for two seasons after the original run ended in 1960.

In contrast to the shows where the comedy came largely from a blundering character, "Father Knows Best" aimed for chuckles more than belly-laughs as Jim and Margaret Anderson thoughtfully soothed the growing pains of their children, Betty, Bud and Kathy.

Answering latter-day criticism that the show wasn't realistic, Mr. Young said that adding a subplot about illness or drugs "would have been like taking a beautiful painting and obliterating it with black paint, and that really would have turned the audience off. We never intended the series to be more than a

weekly half-hour of fun and entertainment."

He recalled telling a producer friend, in the process of creating the original radio show, "I'd like to be the father, but not a boob." He said they strove to create "what we thought would be representative of a middle-class American family, if there was such a thing. There probably isn't, but that was what we were looking for."

"Marcus Welby, M.D.," which ran on ABC from 1969 to 1976, got even larger audiences with a similarly thoughtful, compassionate lead character. It was the highest-rated show in the 1970-71 season and was in the top 15 shows for four seasons, 1969-73.

Mr. Young's role as the general practitioner who strove to understand patients' hopes and fears as well as their diseases brought him praise from medical groups.

"He's understanding and dedicated," Mr. Young once said of his character. "These are words that for some reason have fallen into disuse. I knew from the start that I had to come back to play this man."

"I enjoy acting," Mr. Young once remarked. "Whenever anyone says 'retire,' I say, 'Retire to what?'"

He was married to Betty Henderson for more than 60 years, and they had four daughters.

Agency Overrules Warning on Air-Traffic Computers

By Rajiv Chandrasekaran
Washington Post Service

ATLANTIC CITY, New Jersey — Federal Aviation Administration technicians have concluded that a critical mainframe computer system used in the nation's largest air-traffic control centers will function properly in the year 2000, despite warnings from the system's manufacturer that the agency should replace the equipment.

The determination, reached over the past few weeks by programmers at the administration's technical center here, has elicited cheers from agency officials, who had been castigated by con-

gressional investigators earlier this year for not planning a quick replacement of the systems.

Jane Garvey, the head of the agency, said in an interview Tuesday that the system "will transition the millennium in a routine manner."

The mainframe computers at issue, made by IBM Corp., are used at the agency's 20 air-traffic control centers to track high-altitude aircraft between airports. IBM's Model 3083 mainframes receive data from radar systems and integrate that information into a picture for air-traffic controllers.

Last October, IBM sent a letter to the agency warning that "the appropriate

skills and tools do not exist to conduct a complete Year 2000 test assessment" of the 3083 computers, once used as corporate data centers. The machines have been mothballed by most users, a step IBM urged the agency to take.

Although the agency plans to replace the mainframes as part of a broader modernization effort, officials were unsure they could complete the process by 2000. So they embarked on an aggressive testing program to figure out how the computer system would be affected.

Most mainframes use a two-digit dating system which assumes that 1 and 9 are the first two digits of the year. Without specialized reprogramming, it was

feared that the IBM 3083s would recognize "00" not as 2000 but as 1900, a glitch that could cause malfunctions.

The agency formed a task force to conduct the testing, which involved checking more than 40 million lines of so-called microcode — software that controls the mainframe's basic functions.

The technicians found that the microcode does not consider the last two digits of the year when processing dates. Instead, it stores the year as a two-digit number between one and 32, assuming that 1975 was year one. As a result, they determined, the system would fail in 2007, but not in 2000.

TRAVEL UPDATE

General Strike in Greece

ATHENS (Reuters) — Greek workers will hold a general strike on Thursday, seeking to disrupt government business, banks, telecommunications and transport to protest planned labor regulations.

Railroad workers have said they will strike all day, while bus, metro, and trolley car employees plan early morning and late night walkouts.

Staff at the state-run Olympic Airways, already under sharp criticism for delays and slowdowns, plan a three-hour strike at noon.

Fire Sears Edge of Athens

ATHENS (AP) — A fast-moving brushfire scorched the edge of Athens on Wednesday, sending towering plumes of smoke over the city from a blackened mountainside.

The blaze, which appeared to have started in a pine forest on the Imittos Mountain east of the city center, was fanned by gale force winds of up to 75 kilometers (45 miles) an hour.

Portugal Strike Called Off

LISBON (AP) — Drivers of gasoline tanker trucks called off a strike Wednesday and resumed deliveries to some 80 percent of Portugal's gas stations that had run dry during a 48-hour stoppage.

But no end was in sight for a strike by 80

harbor pilots that has virtually choked the flow of imports and exports by sea.

Philippine Airlines Strike

MANILA (AFP) — The ground crew of Philippine Airlines began an indefinite strike Wednesday over huge layoffs at the troubled airline, causing flight delays and cancellations at Manila's domestic and international airports.

The strike, which union officials said had been joined by all 8,000 ground crew, forced the cancellation of at least 10 domestic flights and delays in other flights.

But airport and airline officials said none of the estimated 62 international flights had been canceled.

Reforestation of coniferous trees on the 17,000 hectares (42,000 acres) that were razed by fires that raged across Catalonia in northeastern Spain this week will take up to 40 years, experts said Wednesday. (AFP)

The Alte Pinakothek museum in the southern German city of Munich is to reopen Thursday after being closed for four years for renovations. (AFP)

Tourist arrivals in Thailand soared 10.6 percent in April from a year earlier, despite a drop in the number of visitors from the region. Thai officials said Wednesday. (AFP)

WEATHER

Forecast for Friday through Sunday, as provided by AccuWeather.

Europe

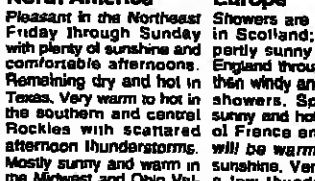
City	Today	Low	High	Tomorrow	Low	High
Algeria	20/21	14/17	20/21	20/21	14/17	20/21
Amsterdam	20/21	14/17	20/21	20/21	14/17	20/21
Antwerp	20/21	14/17	20/21	20/21	14/17	20/21
Athens	20/21	14/17	20/21	20/21	14/17	20/21
Batavia	20/21	14/17	20/21	20/21	14/17	20/21
Bombay	20/21	14/17	20/21	20/21	14/17	20/21
Buenos Aires	20/21	14/17	20/21	20/21	14/17	20/21
Calcutta	20/21	14/17	20/21	20/21	14/17	20/21
Canton	20/21	14/17	20/21	20/21	14/17	20/21
Cebu	20/21	14/17	20/21	20/21	14/17	20/21
Colon	20/21	14/17	20/21	20/21	14/17	20/21
Hankow	20/21	14/17	20/21	20/21	14/17	20/21
Hong Kong	20/21	14/17	20/21	20/21	14/17	20/21
Kobe	20/21	14/17	20/21	20/21	14/17	20/21
London	20/21	14/17	20/21	20/21	14/17	20/21
Lyons	20/21	14/17	20/21	20/21	14/17	20/21
Manila	20/21	14/17	20/21	20/21	14/17	20/21
Medan	20/21	14/17	20/21	20/21	14/17	20/21
Shanghai	20/21	14/17	20/21	20/21	14/17	20/21
Singapore	20/21	14/17	20/21	20/21	14/17	20/21
Sourabaya	20/21	14/17	20/21	20/21	14/17	20/21
Tientsin	20/21	14/17	20/21	20/21	14/17	20/21
Yokohama	20/21	14/17	20/21	20/21	14/17	20/21



Unusually Unusually Heavy
Cold Mild Rain Snow
Light Moderate

North America

City	Today	Low	High	Tomorrow	Low	High
Albuquerque	20/21	14/17	20/21	20/21	14/17	20/21
Anchorage	20/21	14/17	20/21	20/21	14/17	20/21
Atlanta	20/21	14/17	20/21	20/21	14/17	20/21
Boston	20/21	14/17	20/21	20/21	14/17	20/21
Buffalo	20/21	14/17	20/21	20/21	14/17	20/21
Chicago	20/21	14/17	20/21	20/21	14/17	20/21
Dallas	20/21	14/17	20/21	20/21	14/17	20/21
Denver	20/21	14/17	20/21	20/21	14/17	20/21
Detroit	20/21	14/17	20/21	20/21	14/17	20/21
Houston	20/21	14/17	20/21	20/21	14/17	20/21
Los Angeles	20/21	14/17	20/21	20/21	14/17	20/21
Madison	20/21	14/17	20/21	20/21	14/17	20/21
Memphis	20/21	14/17	20/21	20/21	14/17	20/21
Minneapolis	20/21	14/17	20/21	20/21	14/17	20/21
Montreal	20/21	14/17	20/21	20/21	14/17	20/21
New York	20/21	14/17	20/21	20/21	14/17	20/21
Oakland	20/21	14/17	20/21	20/21	14/17	20/21
Phoenix	20/21	14/17	20/21	20/21	14/17	20/21
Portland	20/21	14/17	20/21	20/21	14/17	20/21
San Francisco	20/21	14/17	20/21	20/21	14/17	20/21
Seattle	20/21	14/17	20/21	20/21	14/17	20/21
St. Louis	20/21	14/17	20/21	20/21	14/17	20/21
Tampa	20/21	14/17	20/21	20/21	14/17	20/21
Washington	20/21	14/17	20/21	20/21	14/17	20/21



Unusually Unusually Heavy
Cold Mild Rain Snow
Light Moderate

Asia

	C/F	C/F	C/F	C/F
Algeria	33/61	19/66	33/61	21/70 pc
Bail	31/68	22/71	31/66	22/70 pc
Bangkok	34/93	29/78 sh	33/91	29/78 sh
Beijing	29/62	22/71 r	27/60	23/73 sh
Bombay	30/66	26/77 c	29/64	26/76 sh
Calcutta	35/95	29/82 pc	34/93	29/82 pc
Chiang Mai	33/91	24/76 c	33/91	24/76 pc
Colon	27/60	25/77 r	26/64	26/75 sh
Columbia	37/66	31/68 pc	37/66	31/68 sh
Hanoi	32/63	24/76 sh	32/60	24/76 sh
Ho Chi Minh	32/63	24/76 sh	33/61	27/60 pc
Hong Kong				
Interland	43/1/99			

THE AMERICAS

Starr Focuses On Clinton's Last Meetings With Intern

By Don Van Natta Jr.
New York Times Service

WASHINGTON — Prosecutors have summoned several uniformed Secret Service officers before the grand jury here as the independent counsel, Kenneth Starr, tries to piece together what the officers knew about Monica Lewinsky's visits to the White House last December, before her relationship with President Bill Clinton was revealed.

But Mr. Starr's questions go beyond whether Ms. Lewinsky, a 24-year-old former White House intern, and the president met alone, lawyers familiar with the inquiry said Tuesday.

Mr. Starr is focusing on events in December and January, when the employees closest to the president's Secret Service uniformed officers and plainclothes agents — might have seen or overheard matters involving Ms. Lewinsky. At the time, she faced the prospect of testifying in the Paula Jones sexual misconduct lawsuit against Mr. Clinton. Ms. Lewinsky had expressed her fears about testifying to her friend, Linda Tripp, and to the president.

"The prosecutors are generally interested in very specific things: the people present at certain meetings on certain dates," said Michael Leibig, a lawyer for four of the uniformed officers subpoenaed.

Some of the specifics sought would be used to verify what other witnesses have told the grand jury; the Secret Service has insisted that its employees saw nothing improper.

Narrowing his focus to one particular date, Mr. Starr wants to know what uniformed officers might have heard on Dec. 28, the last day when records show Ms. Lewinsky visited the White House, lawyers said. According to those familiar with the inquiry, Ms. Lewinsky saw Mr. Clinton and his personal secretary, Betty Currie, on that day.

Prosecutors believe that meeting is critical to their investigation into whether Mr. Clinton, Ms. Lewinsky or others obstructed justice, committed perjury or tampered with witnesses.

When Ms. Lewinsky arrived at the White House that day, she chatted with Mrs. Currie briefly just outside the Oval Office before talking with Mr. Clinton, possibly within earshot of a uniformed officer, according to lawyers familiar with the questions asked of the Secret Service personnel.

In statements given to Mr. Starr's office, Ms. Lewinsky said she returned several gifts in December that the president had given her. Lawyers for Mrs. Jones had subpoenaed the gifts as evidence. Ms. Lewinsky said that Mr. Clinton had told her that she would not have to produce any gifts he had given her if they were not in her possession, according to those familiar with her statement. One of the key questions that Mr. Starr's prosecutors are trying to answer is whether Mrs. Currie accepted the gifts on her own, at the request of Ms. Lewinsky, or under orders from the president or someone else.



Gary Byrne, Secret Service agent, front, leaving the court in Washington.

Mexico's Politics Changing For First Time, Primary Elections Are Tried

By Sam Dillon
New York Times Service

CHIHUAHUA, Mexico — A radical idea is gaining momentum within Mexico's governing party: primary elections.

For six decades after its founding in 1929, the Institutional Revolutionary Party so thoroughly monopolized Mexican politics that elections were a mere ritual in which its candidates, often unopposed, won election to all but a handful of government posts.

Often, when faced with popular opponents, the party simply rigged the elections.

But in recent years, as government corruption and economic crisis have fueled a surging opposition, one-party rule has come under assault in Mexico, as elsewhere in the world.

The party, known as the PRI, has lost so many elections that opposition governors and mayors now run much of the country. Scores of leaders have deserted, and many Mexicans wonder if it can survive in a competitive atmosphere.

But this year has brought surprises. President Ernesto Zedillo has vowed that unlike previous party presidents, he will not anoint his successor. This has forced the party to start looking for a new way to nominate its candidate for presidential voting in 2000.

The ruling party began testing primaries this spring as a way of nominating some gubernatorial candidates, and in the northern state of Chihuahua, which borders Texas and New Mexico, the experiment attracted thousands of new voters and appears to have been a factor in the party's victory in the July 5 general elections.

Primaries are just one way the ruling party and opposition groups are experimenting this year, using techniques common elsewhere but not here. They have made broadcast messages a far more important ingredient than before, and for the first time the dominant party is using television and radio advertisements to dispense its rivals.

"This is a year in which the way of doing politics in Mexico is changing dramatically," said Rafael Gimenez, the chief poll taker for the newspaper Reforma. "The PRI is leading the way, but that's provoking changes in other parties, too."

During most of its 70-year reign, the ruling party's national candidates have been chosen by presidents and its local candidates by the state governors. Now, by yielding the right of a president to pick his successor, Mr. Zedillo is forcing the party to rethink its methods.

The party will decide how to nominate its presidential candidate at a convention late this year. Leaders of Mexico's two main opposition parties are to choose their presidential candidates at party conventions late next year. They have announced no plans to use primaries.

Away From Politics

• An 85-year-old woman was killed when a temporary elevator tower at a construction site collapsed in midtown Manhattan, raining tons of steel on streets below and temporarily closing much of Times Square. (NYT)

• An international team has cloned dozens of adult mice, according to U.S. researchers. Ryuzo Yanagimachi of the University of Hawaii and his colleagues expressed hopes that their methods would prove to be a breakthrough for both animal breeding and basic scientific research. (Reuters)

• More documents about President Kennedy's assassination are to be released. The FBI sent 41,811 pages of documents, some related to organized crime and Cuba, to the National Archives for public release. (AP)

• The nation's Latino population is lagging behind other racial and ethnic groups in educational achievement from kindergarten through college, according to the National Council of La Raza. It said Hispanic pupils are less likely to be enrolled in Head Start and other preschool programs. (WP)

• Global warming is not leading to more hurricanes but instead there have been fewer in recent years, a Florida State University report said. (AP)

'Lone Wolves' Pose Terrorist Threat

New Violent Breed: Solitary Criminals Acting Under Influence

By Roberto Suro
Washington Post Service

WASHINGTON — Eric Robert Rudolph drifted in and out of white supremacist groups. At times, he may have come under the spell of leaders who advocated racist and anti-government violence. But when he allegedly built bombs, federal officials say, Mr. Rudolph apparently acted alone.

Federal investigators believe that Mr. Rudolph, who has been charged in the Jan. 29 bombing of an Alabama abortion clinic and is wanted for questioning about several other bombings, is representative of a new and dangerous sort of home-grown terrorist. A classified Justice Department report describes the type as "individuals who are inspired by, but not affiliated with, terrorist groups, thus making them harder to identify and stop."

This newly developed profile, inspired by the convicted Oklahoma City bomber Timothy McVeigh, is the product of a federal law enforcement apparatus increasingly concerned about how to combat domestic terrorism that officials now believe is most likely to be carried out by loners like Mr. Rudolph.

"We are seeing three, four, five new cases every year of people who have links to white supremacist groups, who talk the race-hating, anti-government rhetoric, and who ended up plotting or committing violent acts," said Robert Blitzer, head of the FBI's domestic counterterrorism section. "These are usually rootless guys with a high level of frustration in their lives who go out on their own. They have access to firearms and explosives and are prepared to use them. For us, it is a real challenge to stay ahead of them."

These solitary actors, though few in number, are now considered the most dangerous domestic terrorists, according to FBI and Justice Department officials, who continue to struggle with a key question: Are they lone wolves who need no outside guidance or the instruments of someone else's political agenda?

"There is a definite increase in acts of violence committed either by a single individual or very small coterie of people who operate without any central direction," said Michael Barkun, a political scientist at Syracuse University and an expert on domestic radicals. "This is becoming a major problem for law enforcement because, unless the authorities are very watchful or very lucky, these people go unnoticed until they have done something," said Mr. Barkun, who has served as an occasional adviser to the FBI.

Americans whose politics might lead

them to violence have not posed a significant, nationwide challenge to federal authorities since the 1970s, when the perceived threat came from radical leftists. But ever since newspaper articles about rightist militia activities first raised alarms at the Justice Department in the summer of 1994, counterterrorism has become one of the fast-growing sectors of federal law enforcement.

Added resources aimed at both domestic and international threats now include a new interagency command center, joint response teams with local officials in most major cities, nearly 1,000 new FBI agents and nearly \$200 million for a proposed Justice Department counterterrorism fund that would go toward training and equipping local police and emergency services.

After the 1995 Oklahoma City bombing, Attorney General Janet Reno issued revised guidelines on domestic terrorism investigations, granting federal law enforcement officers more authority to open cases, recruit informants and use other investigative techniques.

At every step of the counterterrorism buildup that has followed, federal officials have had to ask themselves whether larger conspiracies lay behind criminal acts or whether such deeds were merely the work of an individual or a small group operating autonomously.

In the Oklahoma City bombing, it took the largest federal criminal investigation ever to construct charges blaming the attack on Mr. McVeigh and Terry Lynn Nichols.

The McVeigh investigation has influenced the law enforcement view of domestic terrorism, some experts said, by focusing increasingly on individuals.

"Once the FBI realized that the militia movement did not bomb the federal building in Oklahoma City, it had to come to terms with a more complex idea of how social movements develop and accept the fact that they are not always dealing with groups that operate with clear lines of authority," said Chip Berlet, an analyst with Political Research Associates, an organization that monitors militias.

Alarm (or Lack of It) on Ship

Passengers Saw Blaze on TV Before Being Informed by Crew

The Associated Press

MIAMI — Passengers on the cruise ship Ecstasy say they complained of smoke coming through their cabin vents and saw television coverage of the ship's fire long before the first announcement telling them to move to upper decks was made.

One passenger said Tuesday that about an hour and 20 minutes passed between when she first noticed the smoke and heard the first fire alarm.

The fire on the Ecstasy, believed to have started when a spark from a welder's torch in the laundry room ignited lint, quickly spread two decks above to a mooring area, where nylon rope fed the flames.

Fifty-four of the nearly 3,500 people aboard suffered mostly minor injuries Monday.

The blaze broke out shortly after the 855-foot (360-meter) ship set out on a four-night trip to Key West and Cozumel, Mexico.

However, a U.S. Coast Guard lieutenant, Dennis Seehoars, said that when the Coast Guard radioed the ship after seeing billowing smoke, the Ecstasy's crew initially said it was dealing with a small fire and did not need help.

Tom Owens, of Dallas, who was traveling with his 12-year-old twin son and daughter, said, "They communicated

effectively to keep panic to a minimum, but they did not give all the facts."

Tim Gallagher, spokesman for Carnival Cruise Lines, owner of the ship, said the first internal alarm rang at 5:20 P.M., followed by the first public announcement to passengers of "a situation on the aft deck" 10 minutes later. Passengers were asked to move forward and avoid the rear deck, he said.

The first ship alarm to the 2,575 passengers sounded about 6 P.M., Mr. Gallagher said, and they were ordered to emergency stations.

However, Dale Palmer, a banker from Union, South Carolina, said she told a steward at 4:40 P.M. that smoke was entering her cabin through the air-conditioning duct, and the steward came to her cabin to see it.

Chris Whipple, of Dallas, said that he also complained of smoke and that it seemed at least half an hour passed before he heard the public address announcements.

In the meantime, he said, his family turned on the cabin television and saw a live broadcast showing smoke billowing from the ship two miles (three kilometers) from the beach. WTJV broadcast its shot of the smoke at 5:46 P.M.

"It was very frustrating," Mr. Whipple said. "They were telling us everything was O.K."

POLITICAL NOTES

Senate Panel Rejects Air Force Nomination

WASHINGTON — The Senate Armed Services Committee on Wednesday rejected, in a tied vote, President Bill Clinton's nomination of a Florida state senator and former fighter pilot to be secretary of the air force.

Questions about his flight history and business dealings doomed the nomination of Daryl Jones, detractors said. Unable to muster the votes needed to endorse the nomination, supporters moved to report the nomination to the Senate floor without a recommendation of approval or rejection. But even that motion failed, 9-to-9.

Mr. Jones would have been the first black person to serve as air force secretary.

But witnesses at a nine-hour confirmation hearing last week said Mr. Jones, as an air force reserve pilot, almost ran out of fuel on one occasion, flew the wrong way on another and damaged his aircraft by scraping the plane's tail on as many as four occasions.

Twice on the same day, Senator Strom Thurmond of South Carolina, the chairman of the committee and the only Republican to support Mr. Jones, said Mr. Jones had been the sub-

ject of "rumor campaigns and personal attacks."

Senator Thurmond added, "I do not believe that anyone has been able to prove that Mr. Jones knowingly sought to misrepresent his credentials, to defraud the government or to mislead this committee."

All 19 members of the committee attended the session and spoke on the nomination, many of them saying it presented the toughest challenge since the panel had issued an unfavorable recommendation on the late John Tower to be defense secretary in 1989. (AP)

House Votes Money For Arts Endowment

WASHINGTON — In a sharp election-year conversion, the House has overwhelmingly approved money for the National Endowment for the Arts, long the bugbear of conservatives and a prime target of Republican leaders. The vote, 253-to-173, Tuesday virtually guaranteed that, one way or another, the endowment will receive next year the same amount, \$98 million, that it received this fiscal year, even though the money is attached to a more controversial bill financing the Interior Department. The Senate has indicated

support for the arts money, and President Bill Clinton has said he favors it.

"The old debate over the existence of the NEA finally has given way to a more thoughtful dialogue about the appropriate level of federal arts funding in America," William Ivey, the new chairman of the endowment, said in a statement. (NYT)

Nursing Homes Face Stricter Inspections

WASHINGTON — President Bill Clinton has ordered a crackdown on nursing homes that abuse patients or repeatedly violate health and safety standards that were established by Congress 10 years ago.

Saying that inspections were too predictable, Mr. Clinton told state officials to inspect nursing homes at night and on weekends "so there is no time to hide neglect and abuse." At present, the government said in a report, a nursing home has "near certainty that it will never be surveyed on weekends or during evening hours."

Government reports indicate that two-thirds of the nursing homes in the United States are not complying with the standards required by law since 1988. (NYT)



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EUROPE

Kosovo Rebels Suffer Severe Setback

Bid to Seize Orahovac Rebuffed Amid Talk of Serbian Atrocities

By R. Jeffrey Smith
Washington Post Service

BELA CRVKA, Yugoslavia — An attempt by the insurgent Kosovo Liberation Army to seize a city north of this village in Kosovo has led to a significant setback for ethnic Albanian guerrillas, and also allegations of execution-style killings by Serbs, mass detentions and other human rights abuses.

In the largest strategic gamble of the widening conflict between Serbs and ethnic Albanians in the province of Kosovo, members of the guerrilla movement strolled into picturesque Orahovac on Friday, fired their guns into the air and said they were taking control.

The attempt to gain a foothold in the town of 20,000 was the first step in what some sources described as a new strategy by the guerrillas to take their fight for Kosovo's independence into the province's urban centers.

Such a move would mark a potentially significant escalation of the five-month-old conflict.

But the guerrillas' action in Orahovac proved disastrous for the city and its residents.

Fleeing civilians said it led to a military setback for the guerrillas and atrocities by Serbian forces similar to some reported during the civil war in Bosnia.

After three days of intense fighting and shelling by Yugoslav militia units and regular army troops began producing heavy guerrilla and civilian casualties, hundreds of guerrillas were forced to withdraw from the city and flee with more than 15,000 ethnic Albanian refugees toward their nearby stronghold in the city of Malisevo to the northeast.

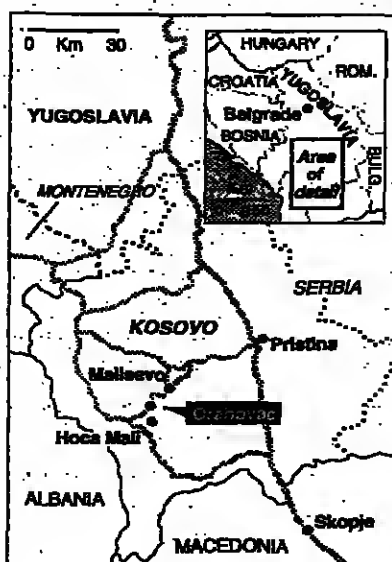
[Albanian rebels withdrew early Wednesday from their last positions in Orahovac as international monitors visited the site of one of the biggest battles in weeks, The Associated Press reported from the town.]

[The UN High Commissioner for Refugees cast doubt on claims that the town was completely in Serbian hands, saying the area resumed with gunfire and occasional explosions. By morning, the town was quiet.]

The city's southern district is virtually empty except for Serbian security personnel, while the northern area is still the site of sniping and brief gun battles, according to refugee accounts and recent visitors to the city southwest of Pristina, the provincial capital.

At least 30 homes of ethnic Albanians near the central police station have been destroyed, while Serbian neighborhoods remain relatively untouched.

As in several earlier clashes between



the guerrillas and Serbian security personnel, refugees from the fighting have begun offering unconfirmed allegations of atrocities in the midst of the battle.

Hidajete Ramaj and Skender Sylka said in an interview at a refugee center south of Orahovac that they each witnessed the execution-style slaying of seven ethnic Albanian men by a unit of Serbian auxiliary policemen.

The slayings allegedly occurred after the policemen had stayed for three days in one of two homes in a family compound and plundered most of its contents.

There were 15 men in the basement "and we wanted to go surrender," Mr. Sylka said. "We had no weapons."

The police beat on the door to their house, he related.

"When we came out with our hands up, they were holding automatic weapons and wearing gray scarves tied around their head."

"They opened fire and we tried to go back into the house. Then they threw a grenade into the front room of the basement," he said, adding that the grenade wounded a boy.

Mrs. Ramaj said her husband, Xhemaj, was the first to emerge from the basement and the first to be gunned down. "He was saying, 'Wait just a minute, we've got to talk. There are women and children inside,'" she said. "We have two boys and three daughters. Now I don't know what to do or where to go."

Both witnesses said the police set the corpses on fire before leaving.

These allegations could not be verified. But other refugees have separately provided similar unconfirmed accounts.

of atrocities, including the hanging and burning of ethnic Albanians on lamp posts and sniping at innocent civilians in fields or on city streets.

Members of an international monitoring team have been told that at one point in the fighting that Serbian militia units tied ethnic Albanians to posts and placed them in the middle of a road as shields.

Several sources in the city of Prizren, southeast of Orahovac, also reported that Serbian militia based more than 500 people away from the fighting in two convoys and separated them by sex.

Women and children were released immediately, while more than 150 men were detained for questioning at a farmhouse in Prizren.

Some were later released, but others remained in detention Wednesday night — a circumstance that one of the monitors said was highly worrisome.

According to an independent human rights specialist in Prizren, who said he had spoken with scores of refugees, the battle for Orahovac began in earnest Friday evening, hours after the guerrillas had tried to seize control of the city by demanding that all Serbian civilians turn in their arms.

The guerrillas had dug trenches and established a checkpoint here at Bela Crvka, a village of about 2,500 people, to control access to Orahovac from the south, while others converged on it from the north.

Serbian residents in the outlying villages of Retia and Reptusia reportedly agreed to surrender their arms, but Serbs in the nearby village of Hoca called for Yugoslav Army and militia help and other Serbs rang a bell in a downtown church.

Government forces and armed civilians swiftly established a military headquarters at the Park Hotel, and began shelling several villages held by the Kosovo Liberation Army as dusk fell.

Bela Crvka was furiously attacked and many of its homes now have oo roofs; others were burned to the ground. According to unconfirmed reports, the guerrillas suffered more than 50 casualties before withdrawing, while the Serbs lost more than 40 policemen and soldiers.

Until now, such troops have only occasionally been directly involved in battles with the guerrillas. But the fact that many took part in the defense of Orahovac underscores the government's commitment to keep Kosovo towns out of rebel hands.

Kosovo, a province of Serbia, Yugoslavia's dominant republic, has a population that is 90 percent ethnic Albanian. Serbs control the police and other key institutions.



Chancellor Helmut Kohl smiling Wednesday as he mingled with tourists on Ruegen Island in the Baltic Sea.

Seaside, Kohl Tests the Political Waters

Reuters

HERINGSDORF, Germany — Chancellor Helmut Kohl swept through German beach resorts Wednesday to target sunbathing voters in an effort to invigorate his flagging re-election campaign.

But at the first of three stops on the Baltic Sea shore, Mr. Kohl's speech was interrupted by hecklers from both extremes of the political spectrum.

A brief fracas between members of the far-right National Democratic Party, or NPD, and backers of the Party of Democratic Socialism, a reformed Communist group, was quickly broken up. Two people were detained after scuffling with Mr. Kohl's security detail, a police spokesman said.

"We cannot tolerate this sort of terror in the streets," Mr. Kohl said.

"There is no room for radicals in Germany," he said under blue skies to about 3,000 people in the seaside resort of Heringdorf, near the Polish border.

"Communists can never again be allowed to govern in Germany."

Interrupting his annual three-week holiday in the Austrian Alps to campaign, Mr. Kohl told the crowd that rebuilding the economy in Eastern Germany would remain his top objective.

Trailing far behind his challenger, Gerhard Schröder, Mr. Kohl launched into a blistering attack on the Social Democratic Party. He accused the Social Democrats of preparing the ground for a coalition with the Party of Democratic Socialism, the heir to the East German Communist party.

"It is a disgrace that the SPD has formed a coalition with the PDS in the state of Saxony-Anhalt," Mr. Kohl said. "And they want to do that in Bonn as well." The Social Democratic Party defied Mr. Schröder's will recently by

forming a minority government that relies on support from the Party of Democratic Socialism. Mr. Schröder has vowed that will not happen on a national level, but Mr. Kohl keeps raising the issue to win voters in Western Germany.

With nine weeks remaining until the election, Mr. Kohl's conservative Christian Democratic Union has been struggling to make up ground against the Social Democratic Party, which has led in polls by as many as 7 percentage points for the last five months.

Many voters in Eastern Germany

have turned against Mr. Kohl as unemployment has surged above 20 percent, twice the level in Western Germany. Some surveys show only one in four easterners will vote for Mr. Kohl.

Mr. Kohl touched upon the issue of foreigners in Germany.

"We have to help these people so that they stay home and find their happiness there," he said. He added that he supported proposals from Bavarian conservatives that would require foreigners living in Germany to learn German in order to obtain permanent residency permits.

BRIEFLY

2 More Are Arrested In Basque ETA Case

MADRID — The Spanish police arrested two more people Wednesday, including the head of a newspaper shut by the government last week, for alleged links to the Basque separatist group ETA, state radio reported.

Javier Salutregi, director of the Egin daily newspaper, which was provisionally closed during a series of raids and arrests of people accused of helping ETA, was detained at the High Court on Wednesday.

The police also arrested Margarita Izaga, an administrative assistant for Egin, at her home in Hernani, site of the Egin newsroom. She is also a town council member for Herri Batasuna, the political wing of ETA, or Basque Homeland and Liberty. (Reuters)

Turks Block Censure Of Prime Minister

ANKARA — The Turkish Parliament on Wednesday rejected an attempt by the main opposition Islamist party to censure Prime Minister Mesut Yilmaz, strengthening his three-party minority government.

The censure motion accused Mr. Yilmaz of abusing his position by giving five state land to a motor vehicle producer, Ford Otosan, to build a plant.

Mr. Yilmaz, in power for just over a year, has survived four similar attempts to topple his government. His minority coalition has teetered since he announced a plan this year to hold early elections next April, 20 months ahead of time. (Reuters)

Bossi's Sentence Suspended in Italy

MILAN — The two top officials of the secession-minded Northern League received suspended sentences

of seven and eight months Wednesday for a clash in 1996 with police officers seeking evidence against the party.

The party leader, Umberto Bossi, was given a sentence of seven months, and Roberto Maroni, eight months. They were convicted of insulting the police and interfering with police operations on Sept. 18, 1996, when the police pushed their way past party officials guarding the headquarters of the party in Milan.

Mr. Bossi and Mr. Maroni, a former interior minister, and other officials had tried to prevent the police from entering the offices by forming a human chain.

The police were particularly looking for evidence against the league's green-shirted security force. (AP)

Swiss Leader Sends Appeal to Clinton

BERN — President Flavio Cotti of Switzerland is making a direct appeal to his U.S. counterpart, Bill Clinton, over threats of sanctions by some U.S. cities and states over Holocaust claims, the Swiss Foreign Ministry said Wednesday.

In a letter, Mr. Cotti warned Mr. Clinton that the threats were "undermining the traditionally good relations" between Switzerland and the United States.

A number of American cities and states have threatened to impose sanctions on Switzerland's two major banks if they do not agree to an acceptable settlement of Holocaust survivors' claims.

Talks have been stalled since Jewish leaders reacted angrily to the offer by the banks on June 19 of \$600 million to settle the claims.

The Clinton administration, which has praised Switzerland for its efforts to assess its wartime past and make amends for any wrongdoing, has opposed the sanctions.

Mr. Cotti restated Swiss intentions to continue with those efforts, including a fund to help needy Holocaust survivors. (AP)

PARIS FASHION

YSL's Mastery in Black and White

By Suzy Menkes
International Herald Tribune

PARIS — Aux armes citoyens! Pick up your needles, scissors and pins! Stand up for France, couture and Saint Laurent.

Plying their trade on the sidewalk outside Yves Saint Laurent's show Wednesday, couture workers staged a demonstration to plead for their decimated profession.

Saint Laurent supported their cause by showing a magnificent collection, so pure, perfect and refined, yet light-hearted, that the habitual ovation was not in reverence but a celebration.

Sitting center front, in his signature maitre striped sweater and pierced earring was Jean Paul Gaultier, who was feted for his homage-to-Saint-Laurent couture show this week. "Sublime! He is the absolute master," he said of Saint Laurent's show, picking out the beauty, refinement and elegance of clothes that were absolutely wearable, but exquisite only in their innocent details.

As a model slipped off a white mink coat over a draped ivory satin dress, and two child trainbearers in black velvet and whipped-cream outfits preceded the bride on the runway, Gaultier and Catherine Deneuve leaped up.

Saint Laurent wrote his message in black and white: no tricks, no costumes and only a trickle of embroidery, but impeccable cutting and draping. Waves of black surged down the runway, but the rigorous pantsuits and sculpted velvet dresses were lightened with white jewelry. That could be icy, new-age crystal or the winking faux-diamond rings that, along with dark glasses, shrugged on furs and a sweater set in cable gold lamé, gave witty flashes of film star glamour.

When color came it was chic and subtle: a metallic lace dress refracting like a match lighting up a mine shaft; a slither of draped bronze jersey; a flash of shocking pink; a whisk of sapphire and midnight blue chiffon.

With the day clothes there was just snow-white satin or



Saint Laurent's draped ivory satin dress with white mink.

spots of scarlet lips and nail polish. Saint Laurent had refreshed his evening classics, but for the first time in years, he had changed the proportions of the daywear. He pumped up the volume, not just by elevating his own work to the highest level, but also in offering new shapes and cuts.

Killing off the traditional Y-shaped suit, bias-cut skirts gave a gentle trapeze silhouette and slimmer ones were lengthened with authority. Other changes included masculine pants melting into a gathered waist below full, gauzy blouses. The chubby coat, in fur or feathers was also rounded.

It was a lesson — a superb one — in how to move forward within a designer's own aesthetic. In Saint Laurent's case, that means 40 years of haute couture.

Among the backstage bravos, Lucienne Saint Laurent took to the barricades for her son.

"Don't just tell me that it was marvelous," she said. "Write it in capital letters that he should carry on forever in couture!"

It was tough for Balmain to show after Saint Laurent, and Oscar de la Renta made it still harder for himself by picking a Russian inspiration — a theme that YSL had memorably done in the 1970s when such see-where-I-went-on-my-vacation shows were the height of high fashion.

So there we were on a broiling afternoon in the snows of St. Petersburg, where de la Renta made a nice job of re-creating

the chalky-sweet colors of the Russian city and threw in sable-trimmed knickers just to make sure we got the plot.

Cobweb-fine Russian shawls made into dresses was an idea that could have and should have been taken much further. An update of "Doctor Zhivago" was a cute way of handling the long coats and suits, made in feather-light alpaca and with pastel ankle boots peeping from the hemline.

Although de la Renta reined in the richness, using only hefty jewels from Fred Leighton of New York for light, sculpted velvet dresses, the Balmain show seemed like de la Renta was taking an easy downhill sleigh ride through the fall season.

Prague Gets Left-Oriented Government

Havel Appoints a Minority Social Democrat Cabinet Headed by Zeman

Reuters

PRAGUE — President Vaclav Havel appointed a minority Social Democrat cabinet on Wednesday, completing the country's first shift of power to the left since the end of communism.

Milos Zeman, 53, will head the center-left government as prime minister. His party won 74 seats in the 200-seat lower house last month in the general election.

The new cabinet must present its manifesto and seek a vote of confidence, which it is expected to survive, in the lower house of Parliament, within a month.

The list of ministers approved by Mr. Havel prior to a swearing-in ceremony at Prague Castle has 19 names in total, three more than the previous government.

It includes several controversial figures, including Foreign Minister Jan Kavan, a Labour Party member in Britain during his 20-year exile there.

Mr. Zeman has said his government will maintain support for Czech membership of NATO and the European Union.

He added that it would focus on a

"clean hands" campaign to stamp out the corruption and theft he said thrived during the rule of his arch-rival, former Prime Minister Vaclav Klaus.

Other proposed policies include using deficit spending to bolster economic growth, slower price deregulations, detailed pro-export and industrial policies, no tax and more social benefits.

Despite their election victory, the Social Democrats could not cobble together a coalition with partners willing to enter a leftist administration. Center-right parties could have put together a majority coalition but animosity between party leaders meant that would have been difficult.

Mr. Zeman instead forged an "opposition agreement" for the minority cabinet to be tolerated by Mr. Klaus's center-right Civic Democratic Party.

The election was called two years early after a three-party center-right cabinet led by Mr. Klaus collapsed last November amid a funding scandal at the Civic Democratic Party.

A caretaker cabinet formed by a central banker, Josef Tosovsky, led the country to the early election. Mr. Havel

was to reappoint Mr. Tosovsky as Czech National Bank governor later on Wednesday.

The Civic Democratic Party and the Social Democrats say the agreement would bring stability to the fractious political scene and allow the government to rule for its full four-year mandate.

Many analysts believe that the center-right majority in the Parliament will keep the Social Democrats' spending in check.

But they say the Civic Democratic Party, the second largest party in Parliament, with 63 seats, will be tempted to oust the cabinet when it feels strong enough for a new election.

The Social Democrats and the Civic Democratic Party have agreed to prepare an amendment to the constitution, which may include changing the current proportional voting system to a first-past-the-post one, benefiting the two large parties.

Mr. Kavan has been a controversial figure since returning to Prague. A court cleared him of charges that he had cooperated with the Communist secret police while he was living in London.

EDITORIALS/OPINION

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Russia Bailout

The collapse of the Russian economy is an unending prospect, so it was prudent of the International Monetary Fund to release \$4.8 billion from its new \$11.2 billion Russian bailout package. But it is far from clear that the Kremlin can carry out the reforms needed to make the Russian economy more stable.

This is not the first time the Fund has loaned on Boris Yeltsin to deal with financial difficulties. The Russian government has been unable to come up with the money it needs to operate. That is because the tax system is dysfunctional. Rates are extraordinarily high, and few corporations or people bother to file tax returns. The government has been forced to pay extraordinary high interest rates — sometimes above 50 percent — to borrow rubles, but it still cannot meet its obligations.

The government once again promised comprehensive changes in the tax system. Much of its package was approved by Parliament, but parts of it were defeated. That left the IMF with a tough choice: refuse to pay the money, and risk collapse, or give in on some of the demands it made during negotiations for the bailout. It wisely chose to turn the first payment by \$800 million to send a message that it was unhappy but still willing to provide needed money.

President Yeltsin has imposed by decree some parts of the tax package that did not win parliamentary approval.

That is an encouraging sign of his determination to make the needed changes, but governance by decree is undemocratic and ultimately self-defeating. It would be better if the Communist-dominated Duma and Mr. Yeltsin could agree on a package that both secures the needed money and has democratic legitimacy.

Russia also bought itself time by persuading investors to exchange \$4.4 billion in ruble-denominated Treasury bills for new dollar-denominated bonds that will not mature for as long as 20 years.

That will save the country as much as \$1 billion in interest payments over the next year. But the risk is that the cost of the dollar borrowing will soar if the government is eventually forced to devalue the ruble. It may be a necessary gamble, but it is also one that could backfire, particularly if the price of oil — Russia's major export — remains depressed.

The IMF is gambling in another way. With its latest commitment to Russia, its own lending reserves are dangerously low if another crisis develops suddenly.

Alan Greenspan, the chairman of the Federal Reserve, advised Congress Tuesday that the need for congressional action to provide the requested \$18 billion in additional IMF funding is critical. The House, which has delayed too long, should promptly follow his advice.

—THE NEW YORK TIMES.

Nigeria's Transition

Nigeria's latest military ruler, General Abdulsalam Abubakar, seems to be putting his nation on the right track with his promise of a transition to civilian, democratic rule. But Nigerians have heard such promises many times before. They will want to see quick action.

The United States and other interested nations, while supporting Nigeria's transition, should not be too quick to remove sanctions. As Africa's most populous nation and one of its most influential, Nigeria is key to the continent's hopes of escaping from its all too prevalent poverty and dictatorships.

General Abubakar so far represents a marked improvement over the late, unloved General Sani Abacha, who ruled corruptly and despotically until his death on June 8. General Abacha left behind a broken and, for all its oil wealth, impoverished nation, dangerously divided along ethnic lines.

General Abubakar has freed many political prisoners and promised to free the rest. In a speech Monday, he pledged elections in the first quarter of 1999, leading to a handover of power on May 29. "Nigerians want nothing less than true democracy in a united and peaceful country," he said.

Though a 10-month transition struck some as too long, many Nigerians believe the general is sincere in his desire to turn power over to civilians and establish a professional, honest image for the military. But he faces big obstacles. Other generals, powerful and fatened on corruption, will not share his vision. The July 7 death in prison of Moshod Abiola, the presumed winner of annulled 1993 presidential elections, has inflamed long-simmering anger in Mr. Abiola's southern Nigerian homeland. Nigeria's northern elite has shut southerners out of power since the country gained independence 38 years ago.

These suspicions make it all the more essential that General Abubakar move quickly to include civilians from all regions and factions in the transition process. Whether he should do this through a unity cabinet, a constitutional convention or an early handover to a transitional civilian government is for Nigerians to decide.

But given Nigeria's history, General Abubakar, no matter how sincere, cannot expect his compatriots to accept a constitution or an election process that they have no say in designing.

—THE WASHINGTON POST.

Secret Evidence

It is bad enough that the U.S. government sought to deport six Iraqis as national security risks on the basis of secret evidence. Now, however, the Justice Department has admitted that most of that secret evidence was never properly classified to begin with.

In other words the Iraqis, who believe they will be executed if returned to Iraq, were prevented from challenging evidence that we now learn was not actually that sensitive after all.

Whether these men are real national security threats is still unclear, since some of the evidence remains secret. What is known is that they worked with the CIA against Saddam Hussein's regime and were evacuated along with roughly 6,500 others when their opposition base was captured in 1996. Then, however, the six were denied formal admission to the United States and placed in detention in Los Angeles.

As aliens who had not been admitted to the United States, they had no right to confront the evidence against them or even to know what it was. There has been some suggestion they may be double agents or working for the Iraqis. But the government contended that the evidence against them was so sensitive that not even a summary could be released to their lawyers.

When a ruling by an immigration judge held the six deportable, the bulk of the opinion was classified also (it may now be declassified). It is being

appealed, and much of the evidence now has been turned over to the defense.

Given the stakes — the lives of six men — the lack of an adversarial process would be disturbing even if the government had played by the rules. The use of secret evidence in pursuing adverse judicial actions against people is a blight on the U.S. legal system that ought to be changed. But when the FBI erroneously classifies — and thereby improperly denies the defense the ability to confront — the majority of the factual predicate of a case, the unfairness of the process is magnified many times.

If the use of secret evidence is to have any legitimacy, the quality of that evidence must be pristine and the decision to keep each piece of material secret must be unimpeachable. That the Justice Department admits its agencies failed so miserably in a case of this profile undermines confidence in the integrity of secret evidence procedures.

The only bright spot in this picture is that the Justice Department apparently realizes it needs to monitor better the use of secret evidence by its people in the field. According to an article in Legal Times, Deputy Attorney General Eric Holder Jr. has decided that his office should O.K. all future uses of secret evidence — a positive change but not enough.

—THE WASHINGTON POST.

Don't Buy U.S. Excuse on Global Criminal Court

By William Pfaff

PARIS — The American government's hostility to the international criminal court agreed on by 113 nations in Rome last Friday needs a better explanation than has yet been offered. The court for a long time will provide more symbolism than justice, but it is a significant advance in international law.

The United States says it fears that troops on peacekeeping missions might be put on trial for war crimes. This explanation does not deserve to be taken seriously. Congress and the press should force the administration to explain what it really fears and why.

Of the major democracies, only the United States and France opposed the court (though France eventually voted for it). France's motive was obvious. French troops trained the Rwandan forces that subsequently committed genocide in their country four years ago. French officers fear they could be called before an international tribunal as witnesses to the genocide, or even be charged with complicity in it. In Rome, their government was protecting them.

The British proposed a compromise sheltering a country from charges in the new court during the first seven years after it ratifies the founding treaty. This satisfied French concerns, and France voted to establish the court.

The United States has an involvement with genocide on its conscience. What really is on the mind of the administration's policymakers?

I think a part of the answer can be

found in a recent newspaper report describing the Pentagon's Joint Combined Exchange Training program. Under this, American special operations units have for a number of years been active in many countries, despite congressional limitations on foreign military activities.

The Pentagon defends these missions as training for the Americans, but they actually serve to train other countries' special forces, which often have political as well as military functions. In some cases, U.S. troops have assumed quasi-operational roles in anti-drug and counterterrorism operations.

The Washington Post describes the program as "unencumbered by public debate, effective civilian oversight or the consistent involvement of senior U.S. foreign affairs officials" (H/T, July 13).

One such operation was taking place in Indonesia earlier this year, despite a congressional ban on U.S. military cooperation with the Indonesian government. Another is planned for Pakistan in August, despite an American policy of sanctions against Pakistan for having tested nuclear weapons.

The program extends to every Latin American country and to nine in the Caribbean, including those with poor human rights records. The Pentagon says it provides access to and influence

on the military leadership of foreign countries and, indirectly, upon their governments. The assistant secretary of defense in charge calls these foreign operations of U.S. special troops "the greatest asset we have."

The nature of bureaucracy, any bureaucracy, is to aggrandize its power. In the present Washington climate, when various theories of American global responsibilities and "benevolent hegemony" are influential, the Pentagon's natural bent toward acquiring and exploiting its influence on the policy process, and conducting what could be seen as a parallel foreign policy, is automatically encouraged, even if it means evading congressional restraints.

However, it was the State Department's spokesman, not the Pentagon's, who said last week that the United States could not support an international criminal court that failed to "comply with and comport with our special global responsibilities."

What can that mean? It seemingly says that the special global responsibilities of the United States require it to be exempted from prosecution for war crimes. What are the war crimes the State Department has in mind?

The Pentagon's special operations are only a single element in a very extensive American involvement in the military, intelligence and police affairs of smaller countries, justified by the argument that the United States has special global responsibilities and interests. The CIA and

American anti-drug agencies are active in this, sometimes with unhappy consequences for the democratic values that the United States says it defends.

The atrocities committed in the course of Guatemala's 36-year civil war are still coming to light. That war was instigated by a CIA-arranged military coup, and U.S. agencies were implicated in the Guatemalan military government's subsequent suppression of political opponents. El Salvador, Panama, Ecuador and Suriname are other states in which the United States has played a role difficult to defend.

The "talking points" provided one American negotiator in Rome included a threat to withdraw U.S. forces from the territory of allies voting for the war crimes court. That was interpreted as diplomatic hardball but was actually a rather good idea, though it was not meant as one. I, for one, would argue that the United States would be a great deal better off with less foreign involvement of this kind, and so would its allies.

Instead, American officials promise "active opposition" to other countries' ratification of the new criminal court treaty and to the eventual operations of the court. If this really becomes American policy, Washington may find its allies asking that U.S. troops go home. A United States that thinks it should be above the law inevitably makes itself a factor of international instability.

International Herald Tribune.
Los Angeles Times Syndicate.

America the Casino: Where the World Wants to Play

By Jim Hoagland

WASHINGTON — America's stock markets are making a gravity defying run for gain and glory this summer. They have shaken off falling U.S. exports, a spreading strike against General Motors and a continuing wave of job-threatening mergers to post record highs.

Among the explanations for this summer of investor bliss: It pays to have the world's best-run casino.

America's great financial boom is fueled in part by oceans of nervous cash and low-cost goods washing in on our shores from abroad. Do not underestimate the foreign factor in the current strength, and short-term vulnerability, of this astonishing U.S. boom.

Burned in Asia; unable to make any money in somnolent, leaderless Japan, and frightened of developments in Russia and elsewhere, investors have turned to American equities with a vengeance, pushing stock prices and other asset values far beyond levels that Federal Reserve Chairman Alan Greenspan not long ago suggested were "irrational."

Despite warnings that the U.S. economy could be creating a "bubble economy" distorted by grossly inflated assets, America is clearly the place to be on the global scene. Even a cursory look at the recent Daimler-Chrysler merger leads to two inescapable conclusions:

The first is that this is no merger. It is an acquisition of the

Detroit automaker by Germany's ambitious industrial giant, which was willing to fork out extraordinarily generous compensation to Chrysler executives to make the deal happen.

Second, the deal is driven by Daimler-Benz's desire to secure its foothold in the American economy and in the American future.

The sense by Daimler's determined and farseeing top executive, Jürgen Schrempf, that now is the moment to get inside the American tent is shared by executives and investors around the world.

The entry price into the American market now is high, perhaps even irrational. But the price of not being intimately involved in the American business world is judged to be even higher, and more irrational, given the global alternatives.

Advances in applied technology and science are a major factor in the American allure, as is the strength of U.S. job creation in this decade. But a year of economic turmoil in Asia and the contagion it touched off in other "emerging markets" has made America's predictability a premium for investors as well.

The experience and skill that Mr. Greenspan and other regulators in the Federal Reserve system bring to bear in supervising U.S. banks and equity markets have become valuable national market assets in themselves. They inspire confidence,

when they should be acting as European representatives, a key policymaker in the European Central Bank system said recently.

"We have to keep these deliberations private to give Italy's representative a chance not to have to answer only to Italian public opinion, and so on."

The contrast between Europe and America on transparency underscores the vitality and security of the American regulatory system. The difference is even more marked between America and Asia, where banking secrecy and corruption contributed mightily to the collapse of equity and currency markets in Thailand, Indonesia and South Korea over the past year.

Asia's downturn has been the

financial equivalent of an interest rate cut for U.S. markets by the Fed. With the dollar surging higher against the yen and other currencies, a flood of export orders have kept U.S. inflation down. The Fed has had no room to raise interest rates, however concerned about asset inflation it may have become.

But a steep drop in U.S. exports that caused May's trade deficit to hit \$15.8 billion is a warning sign that the strength of the dollar and the weakness of Asia have run their beneficial course for the U.S. economy. The foreign factor needs to be watched carefully now by the casino's customers and regulators.

The Washington Post.

A Few Things That Could Doom the Boom

PROSPERITY faces many dangers. Here are the usual suspects:

Asia's crisis. It is getting worse. In 1998, economic output will drop 2.7 percent in Japan, 6.7 percent in South Korea and 19.9 percent in Indonesia, says the economist Nariman Behravesh of Standard & Poor's DRI. China's economy is also slowing. Asia buys a quarter of U.S. exports. They will fall while Asian imports, cheapened by currency depreciations, rise.

The stock market. Americans are spending more of their incomes and saving less because fatigued stock portfolios make

them feel wealthier. But many economists think stock prices are too high. Mark Zand of Regional Financial Associates says the market is 30 percent overvalued. Stock prices are nearly 30 times company earnings (profits), based on the S&P index of 500 stocks. If stocks slump, consumer spending (two-thirds of GDP) would probably follow.

The Year 2000 glitch. Computers that run, among other things, power and communications networks often misread the new century as "00" and not "2000." The same problem afflicts perhaps 1 to 2 percent of

the "embedded" computer chips that control everything from factory machines to medical devices. Unless errors are fixed, the economy suffers.

The euro. In January, 11 of the European Union's 15 nations will adopt a single currency. These countries have a population of 291 million and a GDP of about \$6 trillion (America's GDP is \$8 trillion). The euro's supporters think it will spur stronger economic growth, skeptics fear economic and political paralysis.

—Robert J. Samuelson, commenting in The Washington Post.

The Fallout in Indonesia May Be Felt for Generations

By John Williams

FLORENCE — Indonesia is on the verge of not one but two social disasters. Most obvious is the danger that hunger and frustration caused by rising unemployment and prices will spark new riots and political instability.

Less dramatic but potentially profound is the danger that Indonesians will slip backward in confidence and achievement, losing for an indefinite amount of time much of the progress in social development that they have made in the past 25 years.

In some ways the social situation in Indonesia resembles that of the old Eastern bloc and of Vietnam in the first tumultuous stages of their transitions from centrally controlled to marketplace economies.

Yet Indonesia was on the verge of a far more rapid and dramatic breakthrough. Already impressive social gains were likely to become more impressive still, linked to the glittering prospect that Indonesia would be among the world's top 10 economies by 2005.

Recent visits to rural areas — to examine the situation of women and children — as well as to several Javanese cities revealed a society under intensifying pressure.

In the West we take basic social development for granted because it was achieved generations ago. In Indonesia it remains a complex process that at times demands the courage to tradition.

Care of mother and child, sound nutrition, family planning, uncontaminated drinking water, clean toilets, protection against diarrhea and malaria, education for girls and boys — these commonplace achievements of family life are by no means common in all parts of Indonesia, and they are the very stuff of getting a start on social progress.

Before the financial and polit-

ical fireball exploded, Indonesia's social development over a quarter-century had been extraordinary, even by Southeast Asian standards. The birth rate had dropped by half and infant mortality by two-thirds. Child immunization rates were above 90 percent. Rapid economic growth, which raised the per capita income from \$70 to \$700 a year, fueled the advance.

Primary schools are now common in most villages. Almost a quarter-million health and nutrition centers, called

posyandus, stretch across the archipelago.

The local posyandu is usually a large version of a village hut, open on one or two sides. It overflows with women and children: babies protesting being weighed, young mothers with toddlers clinging to their sarongs and older women explaining the nutritional values of dried fish or soybeans. A few men sit in the shade smoking clove cigarettes and looking on with amused condescension.

Most village people who use these posyandus see beyond the old practices that had confined

their parents. They know that well water must be boiled, that children need vitamin A to prevent blindness, that iodized salt prevents cretinism and that underweight infants need enriched foods. The young women have completed primary school at least, many later, have fewer children and perhaps run small shops or local enterprises.

Can communities make this kind of progress and then lose it?

If the achievements are recent, if the services cost more than a family can afford and if the cheaper alternatives they have displaced — such as midwives — are still available and supported by conservative elements in the community, then the answer is "yes."

It is entirely possible, while slipping from relative prosperity to poverty, to also lose confidence in newly acquired knowledge and to sink back into old habits.

Indonesia's dramatic pre-crisis social achievements were recent and uneven. Maternal mortality rates remained high. Over one-third of Indonesian children below 5 were underweight; some 270,000 died each year. Overall social indicators in the less populous eastern provinces were comparable to those in Mozambique and Nigeria.

Improving these conditions was a priority in Indonesia. Given the social record and economic prospects, they seemed reasonable ambitions.

Now the story is different. In east Javanese villages, fewer women are using contraception. Innovative schemes that guarantee professional help with complicated births are now too expensive for many families.

In many places, health services are in a double bind: As people quit private physicians

they place greater demand on free local clinics — just as medical supplies are drying up.

Everything is happening so fast that anecdotal evidence is much easier to find than hard data. But the problems are everywhere.

In April, Unicef and the Indonesian government launched an urgent feeding program for 70,000 children in nine hard-hit areas on Java alone. The scope of the project is expanding, to cover nearly 250,000 infants in the eastern provinces.

The World Food Program, which had closed its office, is starting up work again in Indonesia. The World Bank is heading a campaign to keep children from dropping out of school. Everywhere the fear is

that older girls will be trapped into permanently sacrificing school to work in sweatshops or brothels.

Many Indonesians expect the crisis to last three or four years. That is more than enough time to damage the physical and intellectual capacity of a massive cohort of Indonesian infants and children. The implications would echo down several generations.

What this would mean for future social stability and progress toward an enduring democracy is uncertain — but clearly its impact would be negative.

The writer, a former senior director of Unicef, contributed this comment to the International Herald Tribune.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: An Old Patriot

BELLEFONTAINE, Pennsylvania — "Grandma" Nancy Barger is probably the oldest patriot in the country. In the War of 1812 her husband fell fighting in the naval battle of Lake Erie. Her two eldest sons were killed at the battle of Antietam, after having enlisted at President Lincoln's first call for volunteers in 1860. And now her great-grandson is serving in the war with Spain. Grandma Barger is 107 years old. Senator Quay introduced a bill to grant her a pension of \$12 a month, and the bill passed without a vote against it.

1923: Milliner's Plea

SEBINTZ — Hundreds of girls of this Saxon city have answered the appeal of Mr. Sam Zucker, the American milliner, and are working for forty-eight hours without stopping in order to supply the demands of American

women for artificial flowers, fruit and other decorations for their summer hats. The summer orders have been so long delayed that Mr. Zucker visited Europe himself and appealed to the working girls, picturing the grief of American women who are obliged to wear undecorated hats through the fashionable season. Sebintz supplies 90 percent of the artificial flowers for American women's hats.

1948: Confidence Vote

ROME — Italy's Senate gave Prime Minister Alcide De Gasperi a vote of confidence after Mr. De Gasperi indicated that he would place stern anti-Communist measures in effect. The Senate rejected a Communist proposal that the pro-American De Gasperi government be removed from office during the investigation of the attempted assassination of Palmiro Togliatti, Italy's chief Communist.

Herald Tribune

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OPINION/LETTERS

Let's Treat Drug Abuse
As the Illness It Is

By David C. Lewis and June E. Osborn

WASHINGTON — The war on drugs is costly, politically divisive and, after three decades, seen by many as a failure. Congress struggles for solutions amid steamy rhetoric. On the front line are frustrated physicians and police searching for new answers.

A U.S. survey of police chiefs by the Police Foundation found that 85 percent want major changes in drug policy. Sixty percent said law enforcement has not reduced the problem. Because of mandatory sentencing laws, drug offenders represent more than 60 percent of federal prisoners. Police see firsthand that nonviolent drug users and addicts, who are the victims of drug dealers, are the most negatively affected by "warehousing" in prison.

Historically, drug policy originated from elected officials and police, driven by sensational news stories of drug lords and predatory dealers. But beyond the headlines is the core problem of millions of ordinary people with no connection to the crime world who are caught up in abuse and addiction. As police know, if this medical problem can be reduced, the drug dealers at the top will be strangled by a shrinking market.

While serious and violent offenders must be dealt with by the law, most substance abusers and

addicts threaten only themselves. Recovery can come if effective treatment is available. Still, 75 percent of federal and state funds for drug abuse go to law enforcement. Physicians, like many police officials, believe that this 3-to-1 ratio should be shifted to significantly increase treatment.

For many years before World War II, doctors were prosecuted and jailed in the United States for treating what the newspapers then called "dope fiends." American medicine was allowed out of drug treatment. This exclusion crippled drug policy because the huge medical component was almost ignored.

Now a group of 37 nationally known doctors, Physician Leadership on National Drug Policy, is taking an unprecedented step. The group says that "the current emphasis — on use of the criminal justice system and interdiction to reduce illegal drug use and the harmful effects of illegal drugs — is not adequate to address these problems."

Members of Physician Leadership include Louis Sullivan, former secretary of Health and Human Services; David Kessler, former commissioner of the Food and Drug Administration; Lonnie Bristow, past president of the American Medical Association; and Antonio Novello, former U.S. surgeon-gen-



eral. Others include the editors of prominent medical journals.

Recently the group sponsored a major study comparing the efficacy of drug-addiction treatment to the treatment of other chronic disorders. This study of more than 600 peer-reviewed research articles showed that treatment of drug addiction is as effective, and sometimes more effective, than treatment for hypertension, asthma and diabetes.

Furthermore, the study showed that treatment was less costly than incarceration and that it lowered crime rates significantly.

The annual regular cost of out-

patient treatment for a drug addict is \$1,800, intensive outpatient treatment is \$2,500, methadone maintenance for heroin addiction is \$3,900 and residential treatment is \$5,800. A year in prison for a drug addict averages \$25,900, triple the cost of the most expensive therapeutic option. Compounding the problem is the fact that prisons rarely provide treatment for drug addiction.

Substance abuse must have treatment parity (insurance coverage and accessibility) with other chronic, relapsing illnesses such as hypertension and diabetes. The societal stigma sur-

rounding drug problems must be reduced so those needing care will seek it, those providing care will be encouraged to do so and health care programs will reimburse the costs willingly.

The huge burden of laws and regulations on drug treatment must be reduced so physicians can treat abuse and addiction as aggressively as they now treat other chronic illnesses.

Dr. Lewis is project director and Dr. Osborn is chair of Physician Leadership on National Drug Policy. They contributed this comment to *The Washington Post*.

When It Comes to Novels,
Don't Go by the Book

By Alain de Botton

LONDON — Ever since the invention of the printing press, those who most love books have been prey to an awkward, paradoxical thought: There are far too many books in the world.

In secret moments, book lovers may even look back with nostalgia to that fortunate scroll-and-scribe era, when, a little after middle age, edu-

that a great work of art must be difficult. A book that makes us suffer may seem more profound than one that reads with clarity and fluidity; the more a book makes me suffer, the better it must be. This, however, should not preclude the occasional thought that perhaps a book is difficult to read simply because the author cannot write.

Lists of great books are also in danger of killing our enthusiasm for the titles featured. Books rarely seem more boring than when they have been recommended as "masterpieces," perhaps because greatness in literature is almost synonymous with the schoolroom, tedium and the need to pass an exam.

There is something terrifying about a book whose greatness we will have no choice but to accept. How daunting the risk of being labeled the only person in the world not to get *"Zuleika Dozon"* or to think that perhaps *"The Lighthouse"* is a bore.

I recall the relief I experienced on reading that the "great" Dr. Johnson had no time for Laurence Sterne's "great" novel, *"Tristram Shandy"*; that Stendhal had a lifelong hatred of Racine; that Flaubert had mixed feelings about Victor Hugo; that Mario Vargas Llosa did not like *"Ulysses"*; and that Milan Kundera had reservations about George Orwell.

One might not agree with Dr. Johnson's taste — I don't — but one can trust him as a man who had his own taste. To appreciate the greatness of a book we have to risk that we may not like it. We have to be somewhat irreverent and dare to think that perhaps Jane Austen is a drag, Charles Dickens melodramatic and Virginia Woolf prissy. Perhaps they are not, but we will never know, in our hearts, until we develop the inner security to judge for ourselves.

Then again, an unintended and wonderful side effect of these authoritarian lists of great books may simply be to remind us of what works we genuinely like. In disagreeing with the judges' choices, we define our own identities as readers. Perhaps the best lists should annoy us most.

The writer is the author of *"How Proust Can Change Your Life"* and the forthcoming *"The Consolations of Philosophy"*. He contributed this comment to *The New York Times*.

LETTERS TO THE EDITOR

Albanians Put at Risk

On July 19, the Kosovo Liberation Army's ostensible leadership in Bonn announced its long-term goal of uniting all the Albanian lands, including Kosovo, western Macedonia and southeastern Montenegro. The threat of a wider Balkan war erupting is now palpable. The goal of a greater Albania flies in the face of the international community's efforts to secure a peaceful compromise on Kosovo's status and undermines peace and stability in Macedonia and Montenegro.

The ethnic Albanians of Montenegro and Macedonia constitute demographic majorities only

in a few isolated villages in those republics. Inflammatory bombast jeopardizes the security of ethnic Albanians across these lands.

The isolation of the ethnic Albanian leader Ibrahim Rugova is disconcerting given the strides he has made toward a mutually beneficial conclusion to the violence in southern Serbia. Moreover the Kosovo Liberation Army succeeds in legitimizing Slobodan Milosevic and his invocation of force to suppress the militants, exposing civilians to danger.

The Albanian residents of Pristina do not want their city to become a battleground in another pointless Balkan war. Though

franchised, the ethnic Albanians of the region have a great deal to lose in the event of a broader conflagration.

It is time for the West to provide a NATO-imposed "zone of separation" between Albania proper and the aforementioned regions, especially Kosovo, in order to prevent the illegal importation of weapons into those territories by the insurgents. The international community must constrain the Kosovo Liberation Army if it does not renounce its provocative agenda. The West cannot risk standing by idly when to do so will further destabilize the entire region.

MICHAEL J. MCNEAL
Sarajevo, Bosnia-Herzegovina

East German History

Regarding "A Century of Building Blocks for the New Europe" (Opinion, July 8) by Fritz Stern:

It is easy to kick a dead horse and unwarranted to defend one, but I must correct the writer's dictum that East German minds were "emptied of any genuine sense of the past."

In my son's ninth-grade history book, published in the East in 1970, I find more than 100 pages on the rise and fall of Nazism, with dozens of photographs and documents on aggression and terror.

One might argue over the

contents, but they are intensely anti-Nazi and give a sense of the past.

The best, often most popular books for young and old in East Germany and all of its greatest films dealt with fascism and resistance against it in all of Europe.

An article on East Germany in *The Guardian* of London, from May 29, 1970, said: "The clear determination to get away from Nazism and to let children know what happened in the Germany of their parents and grandparents is one feature which impresses many visitors."

VICTOR GROSSMAN
Berlin

BOOKS

YOU ARE NOT I:
A Portrait of Paul Bowles

By Millicent Dillon. 340 pages. \$27.50. California.

Reviewed by Michael Upchurch.

BIOGRAPHY isn't a literary genre known for its formal experimentation. Yet biographers occasionally appear who confound all expectations of how you put a life into words. The Frenchman Jean Gattegno comes to mind, with his "Lewis Carroll: Fragments of a Looking Glass," in which chronology is superseded by alphabetically arranged essays on Carroll-related topics. Evan S. Connell's whirlwind-shaped "Son of the Morning Star," about George Armstrong Custer, also defies convention as it swirls away from any direct glimpse of its subject until midway through the book.

To this select company add Millicent Dillon. The American expatriate writer-composer Paul Bowles ("The Sheltering Sky") has been the subject of other biographies, including Christopher Sawyer-Lanciano's "An Invisible Spectator" and Gena Dagel Caponi's "Paul Bowles: Romantic Savage." But nothing has conveyed Bowles's rhythms of mind and quirks of temperament as well as his own prose and compositions until now.

If Dillon pulls it off in "You Are Not I" (the title is taken from a Bowles tale about exchanged identities), it's due in large part to her deliberately never getting past the interview stage.

Instead, what she offers is a behind-the-scenes look at the biographer trying, in a friendly way, to wheedle accurate information and meaningful truth from her subject. Deftly following extensive conversations she held with Bowles, this self-styled "biography named inside out" manages to maintain narrative tension and yet appear deceptively unedited

with its inclusion of interruptions, distractions and Dillon's own anxiety attacks at the steady stream of other interviewers and aspiring biographers who appear on Bowles's doorstep.

The results are unexpectedly funny, disarming intimate and usefully disorienting, given that much of Bowles's opus hinges on mind-expanding disorientation. Among the topics addressed are the peculiarities of the Bowles marriage (he is gay; his wife, Jane, was lesbian), the connection — or lack thereof — between Bowles's music and his writing, and the real-life inspirations behind his fiction.

Bowles's candor-as-obfuscation technique can be hilariously smooth. When he is asked by an interviewer (not Dillon) whether he considers himself to be a great writer, it's as if he has the power to make the question evaporate. "Certainly not," he replies. "I'm just a person like anybody else, who left the country where I was born and came here."

Even with Dillon he sometimes stonewalls ("I'm not very analytical, as you probably know"), but more often he's straightforward, whether he's confessing to a stylistically incongruous shortcut he took in completing his "Sonata for Two Pianos" for the pianists Robert Fildes and Arthur Gold ("It's a bad admission — I'm sorry I did that") or inquiring, in some agony, whether he was right to talk his wife into making the changes she did to her novel, "Two Serious Ladies."

When questioned why the American protagonist in his own novel "The Spider's House" suddenly starts worrying about eternal damnation, he laments, "Yeah, I never understood that — What was wrong with him that day?"

Elsewhere, he spells out his sense of removal from his characters: "They decide what to do, and they do it. If I pass judgment on them, then I would be putting myself in the material." He feels

just as distanced from his best-known book, "The Sheltering Sky": "I'm not very fond of it, naturally; it's such an old work."

Dillon, surprisingly, is "styried" by this — though it seems a reasonable reaction for a writer whose first novel's high reputation has obscured later and equally worthy work. Still, she hits the mark when she identifies the question that seems to haunt all of Bowles's characters: "Are their actions willed, or do they only think they are?" The same question pertains to Bowles himself, whose behavior is an odd mix of passive and manipulative — or maybe it's simply that, after long years in Morocco, he has genuinely absorbed Islam's "it is written" approach to existence.

Though she sticks closely to the work itself, Dillon is canny enough to know that it tells us something crucial about Bowles to see him abruptly derailing serious conversation with the query "Do you have only one earing on?" She also elicits marvelous autobiographical anecdotes — on how Bowles "fell in love" with a mosquito at age 6, for instance (a sadder story than it sounds). Dillon's prose is spare and supple, and her offbeat approach to her "portrait" works like a charm. Nevertheless there are omissions here that could and should have been filled.

Still, the service Dillon has done Bowles and his admirers is rare and welcome. Where previously we've had only freeze-frame shots of him, now we can see him in action, growing "transparent, opaque, and transparent again," as Dillon puts it. A pleasure to read in itself, "You Are Not I" undoubtedly will become a treasured primary source for future Bowles biographers.

Michael Upchurch, whose novels include "The Flame Forest" and "Passive Intruder," wrote this for *The Washington Post*.

BRIDGE

By Alan Truscott

ONE inductee into the Bridge Hall of Fame in Chicago in July is Dorothy Truscott of Riverside, New York, who for 10 years was the world's top-ranked female player. She is also my wife.

Her credentials include 4 world titles and 28 national titles. She is the only living woman to have represented the United States in the Bermuda Bowl world championship and is the author of two books that are recognized classics: "Bid Better, Play Better," which is about to appear in a revised edition, and "Winning Declarer Play."

One of the most difficult arts in the game is partner

protection. If you can foresee that your partner will have a problem, there may be a way to insure that it is solved correctly.

The diagramed deal played some 20 years ago is a fine example.

Truscott sat East and defended four hearts after Emma Jean Hawes, her longtime partner, opened two spades with the West hand.

The opening lead was a spade to the ace, and East knew that South would ruff another spade lead.

She shifted to the club 10, and when South played the ace West ruffed.

The king of spades was led, and after ruffing South drew trumps in three rounds.

East knew that declarer had started with six hearts, five

clubs, one spade and therefore only a singleton diamond. But West did not; in fact she had already prepared herself to duck smoothly when the expected diamond was led.

South now had an excellent chance of making an unmakeable contract. But when the jack of hearts was led to extract West's 10 East surprised everyone by throwing the diamond queen. When a diamond was led West snatched her ace, and South had to lose a club trick to East at the finish for down one.

"Thank you, partner," said Hawes to Truscott, with far more than the usual degree of sincerity.

The Long Island Regional Championships, which were

scheduled July 15-19 in Hauppauge, Long Island, were canceled for lack of a site.

NORTH
♠ 7 4 3
♥ 6 2
♦ K J 10 4
♣ 5 4 2

WEST (D)
♠ K J 9 5 2
♥ 10 7 4 3
♦ A 8 6
♣ —

SOUTH
♠ 10
♥ A K J 9 8 5
♦ —
♣ A K Q J 3

Both sides were vulnerable. The bidding:

West North East South
1 ♠ 2 ♠ 3 ♠ 4 ♠
Pass Pass Pass Pass
West led the spade six.

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الطريق إلى

INTERNATIONAL

Can Nigeria's Leader Relieve Nation's Nagging Doubts?

By Roger Cohen
New York Times Service

ABUJA, Nigeria — The signs in Abuja scarcely bolster Nigeria's latest plans for democracy. The House of Representatives is a construction site. In this mixed Muslim and Christian nation, a lavish mosque is completed, but the cathedral lacks walls. Unfinished, a capital yet in the making, Abuja is in many ways suggestive of Nigeria as a whole, a country still seeking a firm basis for democracy and unity 38 years after independence. It is this solidly democratic state that the country's new military ruler, General Abdulsalam Abubakar, has now solemnly promised Nigeria's 105 million citizens.

If he breaks the habits of his military predecessor and fulfills the commitments made in a speech to the nation Monday, his achievement will be an enormous one, for Nigeria is the giant of the continent. "Nigeria has ceased to be a rallying point of continental appeal," Egbunike Kemakol, a Nigerian journalist, lamented this week, comparing the state of what he called "the epicenter of black humanity" in one of "refurbished feudalism." Poorer and angrier, Nigerians unquestionably want demo-

cratic change. General Abubakar seems to be aware of this. But broken promises have been the staple of the armed forces. Of eight vows to return to the barracks since the first military coup in 1966, only one has been honored, and that was back in 1979. General Ibrahim Babangida, who ruled from 1985 to 1993, set up less than five dates for a transition that never came. The dribbling led to a brick wall — General Babangida's annulment of the apparent presidential election victory in 1993 of Moshood Abiola, the opposition leader who died in detention this month.

In appearance, General Abubakar is a very different man, pensive, achingly solemn, unused to the limelight, married to a high-court judge who is said to have been gravely troubled by the plundering of the late dictator, General Sani Abacha. "Nigerians want nothing less than true democracy in a united and peaceful country," he said, peering out from behind thick spectacles. The general seemed incapable of dissimulation.

But there are nagging questions about him. In his maiden speech on June 9, a day after General Abacha died, General Abubakar indicated he

would hand over power on Oct. 1, so he has already accorded himself one extension by prolonging military rule until next May.

And although he remained in the background, he was very much part of General Abacha's regime, the most repressive and ruinous in Nigeria's history. General Abubakar's very modesty and apparent styness prompt the question: How independent is he and, if somebody is pulling the strings, who is that? Insistent reports here suggest that none other than General Babangida has considerable influence over him. Overall, though, many Nigerians seem ready to give their new ruler the benefit of the doubt, for the moment.

Marlyn, a Lagos lawyer who declined to give her family name, said, "I was watching the speech on television with friends and everyone spontaneously started applauding. We are used to two-, three-, even five-year transitions, so 10 months seems bearable."

In the decaying ministries here, where most public servants work for salaries of about \$40 a month, the murmurs were generally approving. But the peeling paint, the files marked "secret" scattered on the floor, the staff clocking in for work

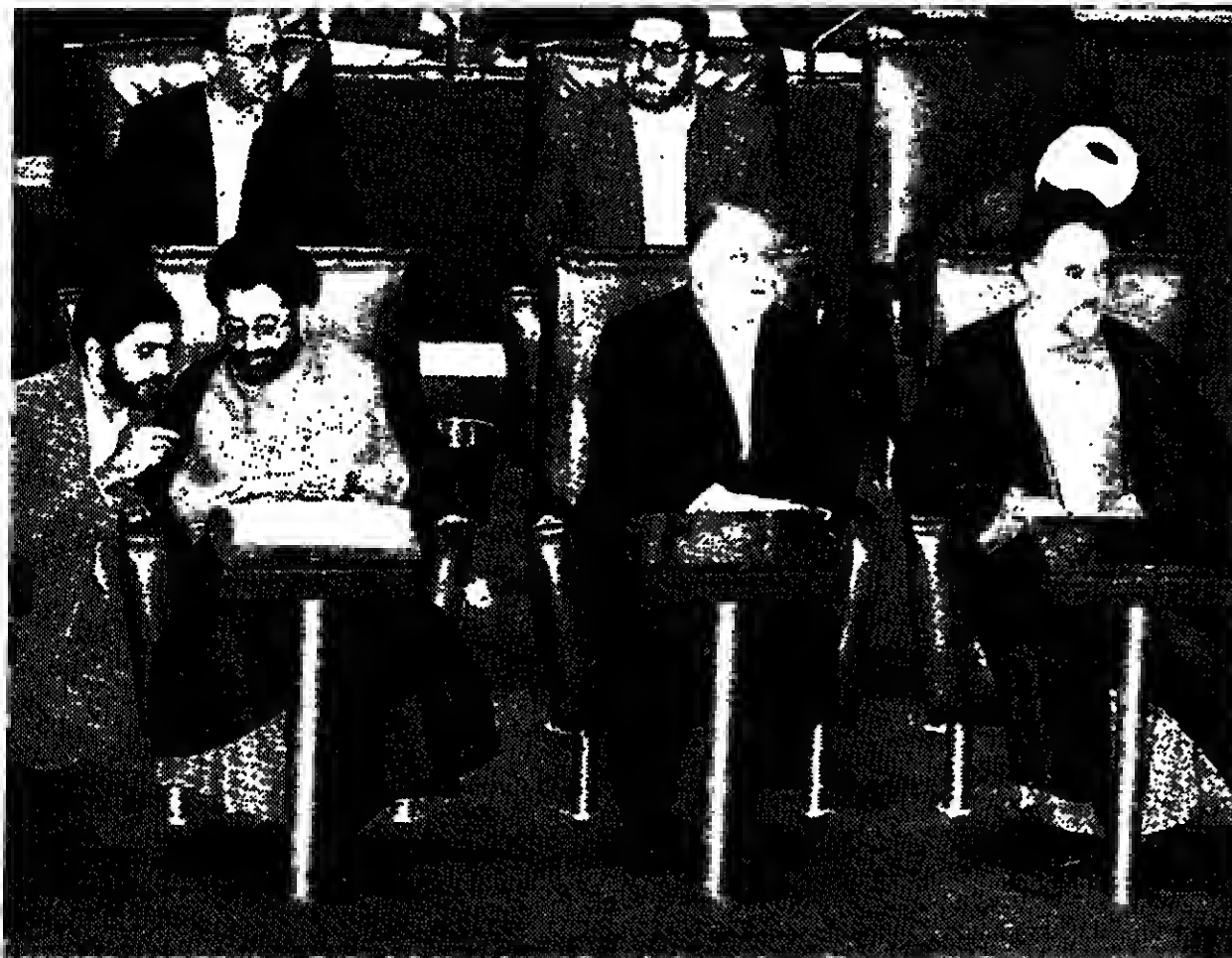
around midday, spoke of an inertia born of misrule that will be hard to shake.

Virtually everything remains to be done: the formation of new parties, the raising of party funds, the establishment of a credible electoral commission, a decision on the constitution, and the forging of a wavering and battered nation threatened with dislocation by the anger over General Abiola's death.

Some believe that none of this will happen. "The whole speech is very sad and dangerous," a leading opposition figure, Gani Fawehinmi, a lawyer, said Tuesday. Mr. Fawehinmi heads the Joint Action Committee of Nigeria, made up of 55 democracy groups, which wanted a national unity government to decide Nigeria's democratic future, an idea that General Abubakar rejected.

In Abuja, the enormous road to a real transition is clear enough. Power now lies in the Asa Rock presidential complex, a huge compound where General Abacha placed his signature, for a price, on virtually every business deal. It was there that General Abubakar spoke Monday.

By contrast, at the half-completed House of Representatives the cranes were immobile Tuesday and there was no sign of activity.



Iran's new interior minister, Abdolwahed Mousavi-Lari, seated left, conferring with an aide while Vice President Hassan Khatami, center, and President Mohammad Khatami wait for the vote on the nomination.

IRAN: Ally of Reformist Leader Approved for Key Interior Post

Continued from Page 1

His candidacy received a big boost from an influential conservative who told the chamber the majority rightist faction would not oppose the nomination, hoping thereby to cool rising political and social tensions.

Mohammed Reza Behonar, a leader of the traditionalist majority in the Majlis, told his fellow legislators that his faction was prepared to set aside their doubts and back the president's candidate.

Analysts say the conservative move reflected widespread uncertainty about the ultimate power of Mr. Khatami, who won 70 percent of the popular vote

against a conservative rival but controls few of the traditional levers of state power.

The decision by deputies in June to oust Mr. Mousavi-Lari's predecessor, Abdullah Nouri, drew cries of outrage from Iran's biggest student group, as well as liberal newspapers and left-wing Islamist government officials.

Some have even demanded new Parliament elections to reflect the mood of the country under the populist Mr. Khatami.

Iran May Answer U.S.

The Iranian foreign minister, Kamal Kharazi, said Wednesday that his country might still provide a "thorough"

answer to an overture last month from Secretary of State Madeleine Albright to work toward resuming ties. Agence France-Presse reported from Tehran.

"When the situation calls for it, we will give a more thorough response," the foreign minister said at a news conference. "This still stands. If necessary, we will answer."

Mrs. Albright offered last month to discuss a "road map to normalization" following repeated requests for an official dialogue with the Islamic republic. Iran immediately welcomed the "change of tone" from the Americans, but said that it should be followed by concrete forms of action before Tehran considered the U.S. request.

THAILAND: Banking Shakeup Looms

Continued from Page 1

compares to spreads of less than 1 percent point in the banking systems of many developed economies.

"Under this formula, bankers could play golf at 10 A.M. and still make money," said Masatsugu Nagato, general manager of the Industrial Bank of Japan.

"But this golden age is over now, and we just have to hope that Thailand chooses a quicker path to resolving their problems than we did in Japan."

Analysts estimate that nonperforming loans at certain banks in Thailand have now ballooned to over 35 percent to total loans and recapitalization of the entire sector will cost up to 800 billion baht.

While four banks — Bangkok Bank, Thai Farmer's Bank, Bank of Asia and Laem Thong Bank — have managed to raise some capital, failing investor con-

fidence has kept a flow of funds out of Thailand.

But even once recapitalized, Thailand's banks will face a tough time returning to profitability, analysts said.

The traditionally wide margins will be cut by competition for deposits, and increasingly sophisticated borrowers will look beyond banks to raise funds through a variety of new channels, including domestic bond issues, offshore borrowing and securitization.

The banks will be forced to seek revenue through fee-earning consumer products that have been slow in coming to Thailand, such as small loans, credit cards and home mortgages, analysts said.

"Service of the style that it takes two weeks to cash a check from upcountry will have to end," Mr. Greenwood said. "This will end the good times for the banks but make the lives of the banks customers less of a misery."

As U.S. Heat Wave Moves North, Casualty Count Climbs to 129

The Associated Press

NEW YORK — Temperatures sizzled back toward 100 degrees Fahrenheit on the southern Plains on Wednesday as the death toll from the heat wave reached 129 and sent people panting for relief.

"We've distributed about 80 fans so far and I've got almost 100 people on the waiting list," said Lillian Jackson, a coordinator for the North City Congress senior center in Philadelphia, where temperatures were expected to hit 100 degrees Fahrenheit (37.7 centigrade) on Wednesday.

However, even as the sultry weather arrived in the Northeast, with highs expected in the 90s (32 to 37 centigrade) as far north as Maine, cooler air was pushing across the north-central part of the United States with highs expected only in the 70s (21 to 26) and 80s (26 to 32) around the upper Great Lakes and northern Plains.

The line where that cooler air collided with the hot, humid atmosphere to the

storms Wednesday that stretched from Kansas and Nebraska to New England, producing flooding and knocking out power for thousands of people.

Farther south, Dallas expected to temperatures to top 100 degrees again Wednesday for the 17th consecutive day, and had already warmed to 93 (34) by midday. At least 86 deaths in Texas, including 23 in Dallas, have been caused by the heat.

In Louisiana, where authorities attribute at least 26 deaths to the heat, the federal government is likely to declare a drought disaster in parishes where cash crops are grown, said Bob Odom, the state agriculture commissioner.

There have been 13 heat-related deaths in Oklahoma, and one each in California, Arizona, Missouri and Pennsylvania.

The thunderstorms created by the cool air produced 100 mile-an-hour wind in Wisconsin that overturned trucks late Tuesday. More than 400,000 customers lost electrical service in Michigan.



FLOODS IN BANGLADESH — Villagers wading into a rain-swollen river on Wednesday north of Dhaka, the capital. Twelve days of downpour flooded all the nation's rivers, killing at least 100 people.

ASEAN: Asian Crisis Strains Unity of Group on Eve of Meeting

Continued from Page 1

proposal. ASEAN has a long-standing policy of strict nonintervention in the internal affairs of member states. It has existed on the grounds that public criticism on human rights and other sensitive issues could inflame tensions and split the organization.

But some Southeast Asian officials and analysts now argue that if there had been stronger concerns expressed within ASEAN over the lax financial controls and mispending that forced Thailand to devalue its currency a year ago, the

might have been avoided or mitigated.

They also say that more forceful objections to widespread forest fires in Indonesia that caused serious air pollution and disruption to tourism and transport in several nearby countries in 1997 might have prompted Jakarta to take more effective steps to control the problem.

Thailand is worried that repressive governments in neighboring Burma and Cambodia, the next country in line to join ASEAN, could result in turmoil that would spill across its borders.

"There are some issues that we need to discuss with each other more openly,

more frankly, in order to help each other to get around some of these problems that may eventually affect the region as a whole and could potentially reduce its weight and influence," said Thailand's foreign minister, Surin Pitsuwan.

Burma's entry into ASEAN a year ago was criticized by the United States and the European Union on the grounds that it would legitimize the military government in Rangoon.

Although ASEAN officials said they would have more influence over Burma, if it were brought into the group, the ruling junta is now tightening its grip on the country.

BRIEFLY

26 Nations Sign UN Court Treaty

UNITED NATIONS, New York — Twenty-six nations, including France, Italy and Spain, have signed the treaty for a new UN international criminal court, shortly after its statutes were approved at a tumultuous Rome conference last Friday.

The United Nations this week reported a total of 26 signatures for the court that would try individuals responsible for heinous crimes in the next century.

Some 120 countries in Rome voted in favor of establishing the court, to the dismay of the United States, which is worried about frivolous lawsuits against its soldiers abroad. (Reuters)

4 UN Deaths Laid To Tajik 'Traitors'

DUSHANBE, Tajikistan — President Emomali Rakhmonov said Wednesday that four United Nations peace observers had been killed by "traitors" intent on undermining the country's fragile peace process.

Mr. Rakhmonov stopped short of directly blaming former guerrilla fighters for the Monday killings of the observers.

Mr. Rakhmonov dismissed two deputy defense ministers and reprimanded several top officials for the failure to prevent the attack. (AP)

17 More Are Dead In Algerian Terror

ALGIERS — The latest round of terrorist violence has left 12 Muslim extremists and five civilians dead in Algeria, press reports here said Wednesday.

Suspected Islamic extremists shot dead four bus passengers early Tuesday when the bus driver ran a roadblock in western Algeria.

About 15 people were reported wounded as attackers fired assault rifles, the reports said. (AFP)

El Salvador Frees 2 Who Killed Nuns

SAN VICENTE, El Salvador — Two former national guardsmen charged in the rapes and murders of two American nuns and a laywoman in 1980 have been paroled from prison, complicating efforts to investigate allegations that the murders were ordered by high-ranking officers.

The two guardsmen were released Tuesday under a new law intended to ease prison overcrowding. Each had served 17 years of a 30-year prison sentence. (AP)

MIDEAST: Talks Break Down

Continued from Page 1

their covenant calling for Israel's elimination.

But Israel has balked at the additional 13 percent pullback. According to press reports and officials close to the talks, they tried to persuade the Palestinians to accept a withdrawal from 10 percent of the West Bank, with an additional 3 percent of the land adjacent to Jewish settlements in the West Bank being made into a nature reserve.

■ No U.S. Plans to Intervene

The United States did not appear Wednesday to be planning any major effort to revive the talks, Reuters reported from Washington.

Mr. Mordechai urged the United States to send Mr. Ross to the region immediately and to call a summit meeting of Israeli, Palestinian and U.S. leaders.

But a State Department official said he was not aware that Mr. Ross had any plans to visit the Middle East. "We are in touch with both parties on a very regular basis but there's not going to be a big American initiative at this stage," the official said.

Prodi Is Backed By Lower House

Reuters

ROME — Italy's center-left government woo a vote of confidence Wednesday in the Chamber of Deputies, or lower house, after Prime Minister Romano Prodi asked for firm backing for his administration's long-term reform plans.

The government won by a vote of 324 to 269. It had won the first of the twin confidence votes on Tuesday in the Senate, or upper house.

Mr. Prodi opted to submit to a review of his government's policies and then face the two confidence tests after his allies in the far-left Refounded Communist Party refused last month to vote with the government in favor of NATO expansion.

The Refounded Communist Party said recently that it was likely to vote to keep the government alive. But it also said that it was keeping its options open to scrutinize, and possibly reject, future government policy.

The party's leader, Fausto Bertinotti, said that Mr. Prodi's 1999 budget, due in September, would be a "litmus test" for reform plans.

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TribTech

Navigating the Virtual High Seas

Challengers for America's Cup Test Their Mettle in Cyberspace

By Warren E. Leary
New York Times Service

BETHESDA, Maryland — A klaxon sounds and the sleek hull of the racing yacht begins knitting through cool, calm waters at increasing speed.

The bow heaves as it pushes through the flat water, raising a wave as it moves faster and sending ripples fanning from the waterline.

People riding along feel the breeze in their faces as the hull glides at speeds of up to 14 knots, but the moon and sensations last only a few seconds. This dash by a 25-foot-long scale model covers only about 800 feet (245 meters) and takes place in a huge water tank and not the open ocean. But it nonetheless signals a beginning of the next race for the America's Cup, the world's most prestigious sailing competition.

Challengers hoping to capture the America's Cup from New Zealand in 2000 have already begun extensive research and testing directed toward designing and building the fastest sailboats in their class. Months, even years, before construction begins on the boats, teams of naval architects, designers, computer scientists, model builders and engineers engage in a technological competition to create machines that can complete a two-hour race a few minutes or seconds ahead of rivals.

It is this competition that brings yacht builders to the David Taylor Model Basin at the Naval Surface Warfare Center in Bethesda, Maryland. Here, where the navy tests models of its future destroyers, frigates and other warships in the world's largest towing tanks, John Marshall, president of the New York Yacht Club, watches as fiberglass models of different racing hulls go through their paces. "Sailing is a sport, an athletic competition for which people must train and develop their skills," Mr. Marshall said. "But the America's Cup is also a technology competition and it's always been that way."

Mr. Marshall is director of the Young America campaign, a \$40 million effort by the New York Yacht Club to build the boat that will challenge Team New Zealand for the title trophy in international sport.

Early on, a slower boat could win with an exceptionally expert crew. But this is no longer the case, said Bob Billingham of America One, the group organizing the entry for the St. Francis Yacht Club of San Francisco.

Sn teams worldwide labor to refine their designs, jealously guarding studies of hull shapes, sails and even rigging hardware to deny the smallest secret to competitors. Yachts in this class are so closely matched that no advantage is insignificant. Veterans remember when an Australian challenger in 1983 snatched the cup from the United States for the first time with help from a radical innovation, a winged keel. The Australians kept the keel secret until the last moment to prevent competitors from trying to copy it.

Registering to challenge New Zealand, 16 yacht clubs and syndicates from 10 nations, including 5 from the United States, have so far paid their \$200,000 entry fees. Experts estimate that 10 or 12 of these groups will raise enough money to build at least one boat and that perhaps 4 or 5 of the competitors will muster the talent and expertise to produce first-rate vessels with a chance of winning.

The competitors are to assemble in the harbor off Auckland in October 1999 and begin a series of match races to determine the best boat to be named the official challenger for the America's Cup. The winning boat will then race Team New Zealand's best new yacht in a best-of-seven series held in February and March of 2000 in the Hauraki Gulf, northeast of Auckland.

Sailing experts say a winning team will have to spend \$30 million to \$40 million for a credible challenge, including up to \$10 million for research and design and \$3 million to \$5 million for a boat. In addition, a set of sails made of specially molded sheets of composite materials costs \$30,000 to \$50,000, and each boat requires more than a dozen sets.

Looking for an edge, several racing groups have used the navy complex here to test hulls and appendages, like rudders and keels, because its size allows the use of larger models. The models are attached to a metal carriage that spans the tank and runs back and forth above the surface of the water carrying boats, testing instruments and observers.

SITES

For a list of America's Cup unfirmed challengers:
www.aac2000.co.nz/challs.htm

To see examples of the latest in high-tech design visit Thompson Performance Design's site at:
www.tpdesign.co.nz/main.html

Hulls are hooked to an instrument called a dynamometer, which measures the precise forces acting on the model as it heels and pitches through the water during numerous runs at different speeds. Technicians in a monitoring station on the carriage record hundreds of measurement points during each run, and this information goes into computer programs, which analyze each model's performance.

Increasingly, the teams rely on computer simulation and the ability to test many design ideas in the cyberspace of a mathematical model before building and trying them in the real world.

Engineers use sophisticated software, known as computational fluid dynamics programs, said John Kuhn, a naval architect at Science Applications International Corp., a technical firm supporting the San Francisco group. The programs simulate the fluid flow around hulls and appendages, like rudders, keels and ballast bulbs, or the movement of air around masts and sails. Results from the programs, which calculate pressure and drag, give engineers the information they need to design components that are then tested in tanks or wind tunnels.

Information from these tests and the fluid dynamics programs then go into a larger computer simulation called a velocity prediction program, or VPP. This program combines design specifications with environmental variables like wind, wave and temperature to make predictions on how fast a boat will sail in specific conditions.

"A VPP integrates the work of different people working on different parts of a boat and predicts how an overall design will perform on water," said Mr. Kuhn. "These programs are not perfect, but they help tell you how basic elements contribute to a design."

Duncan MacLane, technology project manager for the New York group, said the computer simulations were getting better and designers were seeing better matches between computer predictions and actual performance with each competition. Still, advice from naval architects and other experts like Bruce Farr, the principal designer for the New York group, remains crucial in the process.

"There is still a lot of art in the design process," Mr. MacLane said, "with many of the improvements we are considering coming from the intuition of designers. There is still a designer in front of the computer screen dealing with the nuances, making very subtle alignments in the design that produces a winner."

Designing For Speed

Ocean engineers, naval architects, scientists, aerodynamicists and other experts participate in the high-tech challenge of building the boats that compete in the America's Cup. Designers must create fast, low drag boats with efficient sails to get the fastest time around the course.

TYPES OF DRAG

1 Induced drag

When a sail operates at an angle to the flow of the wind, air spirals around the tip of the sail from the high pressure to the low pressure side, creating a "wing tip vortex." This causes wasted energy called "induced drag." The same principle applies to the water and the keel. Long narrow profiles and winglets can reduce the drag.

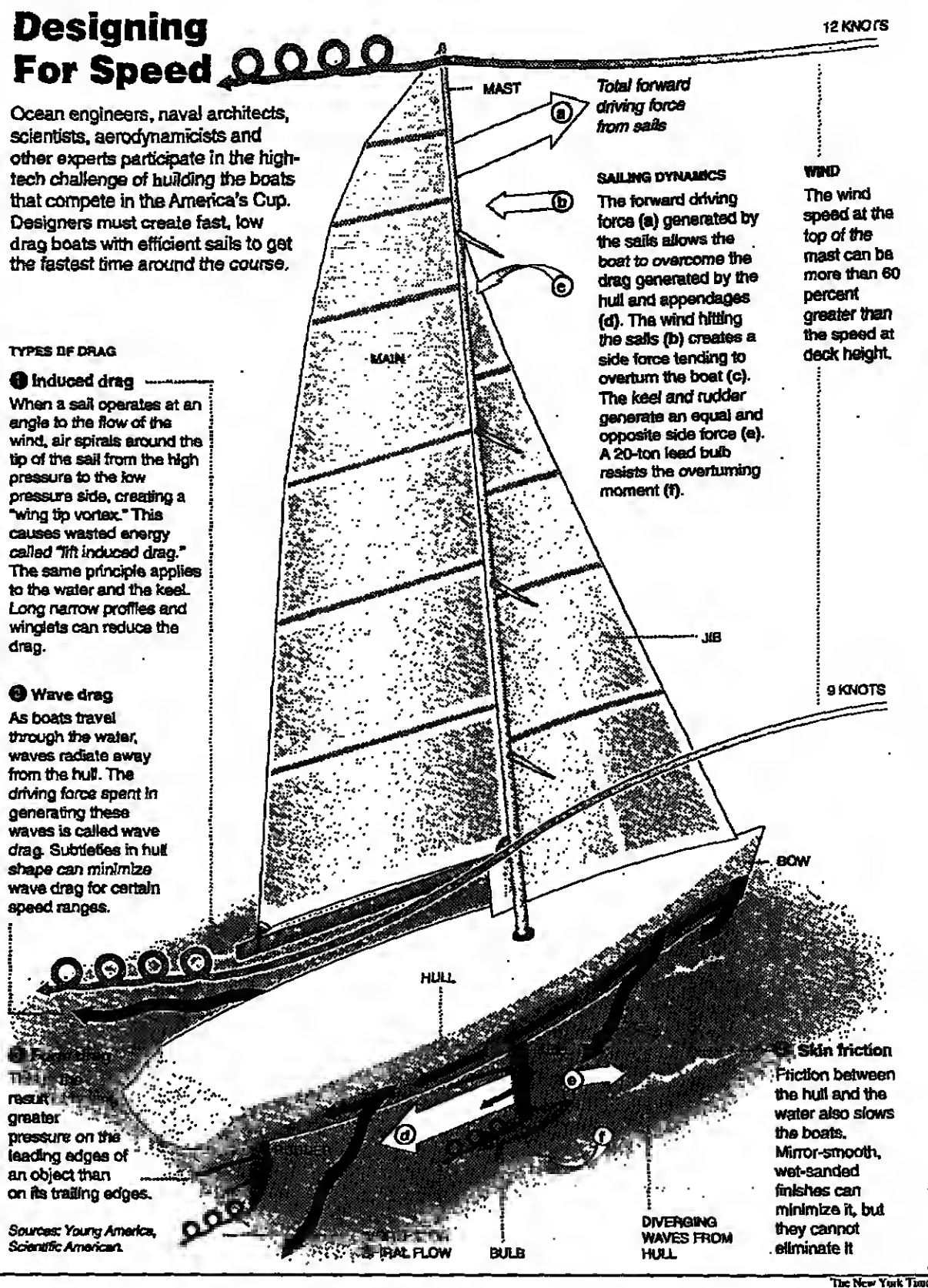
2 Wave drag

As boats travel through the water, waves radiate away from the hull. The driving force spent in generating these waves is called wave drag. Subtle hull shape can minimize wave drag for certain speed ranges.

3 Skin friction

Friction between the hull and the water also slows the boats. Mirror-smooth, wet-sanded finishes can minimize it, but they cannot eliminate it.

Sources: Young America, Scientific American.



At Last, Some Respect for the Web Surfer's Privacy

Compiled by Our Staff From Dispatches

Companies that use the World Wide Web to glean information about consumers beware: Efforts are under way in the United States and Europe to protect consumers from having information about them used without their knowledge.

U.S. regulators have called on Congress to pass laws that, while allowing the Internet to reach its potential as a medium for commerce, would protect the privacy of consumers.

All four members of the U.S. Federal Trade Commission on Tuesday told the House Subcommittee on Telecommunications, Trade and Consumer Protection that self-regulation has not worked as the agency intended.

Many World Wide Web sites solicit addresses, phone numbers, and other personal information. Authorities in Europe and the United States want the industry to adopt enforceable guidelines

that would give consumers greater control over such personal information.

"Study after study has shown that people are concerned that someone may be tracking their choice of Web sites or that someone may be collecting and selling their personally identifiable information," said Representative Billy Tauzin, Republican of Louisiana, who chaired the congressional hearing.

Until recently, the FTC has pushed for the on-line companies to regulate themselves. That changed in June, when the agency issued a report chastising Internet content providers.

The FTC found that 85 percent of the 1,400 Web sites it studied in March collected personal information from consumers and only 14 percent disclosed how that information would be used. The FTC was particularly critical of sites catering to children, saying less than 10 percent took steps to gain parental consent for those under 13.

"While some industry players may form and join self-regulatory programs, many may not," the Federal Trade Commission's chairman, Robert Pitofsky, said in his testimony.

At the hearing on Tuesday, FTC commissioners suggested legislation requiring that visitors to Web sites be told when information about them is being collected and what it will be used for. They also said consumers should be given the chance to say their information cannot be used.

An industry trade group, meanwhile, is trying to convince the government that new laws are not needed, saying it would use electronic seals on Web sites to reassure consumers.

Under the proposal by the Online Privacy Alliance, these seals would guarantee to consumers that a commercial Web site voluntarily complied with a privacy plan approved by the group. The alliance — a group of more than

50 companies and trade groups including Microsoft, America Online, IBM, Netscape and the Direct Marketing Association — proposed at the hearing on Tuesday that an independent group be set up to verify that a Web site is complying with clearly defined privacy guidelines and to resolve consumer complaints.

New European Union rules governing the collection and exchange of personal data go into effect Oct. 25. The EU directive will prohibit companies that collect personal information about European citizens from sending that information to any country that does not have the same level of consumer-privacy protection. While the EU directive was not written specifically to protect Web users, it could affect companies trying to collect global marketing data on the Internet.

The scope of the EU directive will not be known until national laws are written and tested in the courts.
(AP, Bloomberg, JHT, NYT, WP)

BRIEFLY

• **VIRTUALLY MONEY:** The Cyber Business Association, a group of more than 100 companies that promote electronic commerce, is to start experimenting with Japan's first digital cash system for shopping on the Internet from Sept. 21.

Based on technology developed by Nippon Telegraph & Telephone Corp., Internet Cash is Japan's first attempt at providing users with an on-line apparatus that can be used the same way as conventional money when paying for purchases made via the Internet.

Four financial institutions — including Tokai Bank Ltd. and Daiwa Bank Ltd. — will issue Internet Cash stored on an integrated circuit on a card with an upper limit of 30,000 yen (\$214). When the card is used to pay for goods purchased in a virtual shopping mall, the amount is automatically subtracted from the card's value. (Bloomberg)

• **MARS WIDE WEB:** Scientists at the National Aeronautics and Space Administration are preparing for the first

interplanetary Internet "gateway" on the next Mars mission.

"Vinton Cerf, widely regarded as a 'father' of the Internet, said that the idea was to go beyond the carly Internet site that many people around the world visited last year to follow the adventures of the Mars Pathfinder's rover.

"The time is now to think beyond the Earth," Mr. Cerf told INET '98, the annual meeting of the global Internet Society. "There is now an effort under way to design and build an interplanetary Internet."

Mr. Cerf, a senior vice president for MCI Communications Corp., said he and other Internet experts have been working on the project with NASA's Jet Propulsion Laboratory since last November. (AP)

• **OUTLAWING PORN:** The U.S. Senate has approved two proposals for controlling children's access to pornography on the Internet, endorsing without debate one measure that would make it illegal for commercial Web sites to distribute adult material to minors and another that would require software filters on computers in libraries and schools that receive federal Internet subsidies.

The measures, which had been introduced as separate bills, were added by voice votes to the \$33 billion appropriations bill for the Commerce, Justice and State departments. Civil liberties groups vowed to fight the measures, saying they infringed on free speech. (NYT)

• **ON-LINE LEARNING:** Oxford University in England is to offer courses over the Internet for the first time, with the help of a \$820,000 grant from Paul Allen, a co-founder of Microsoft.

Starting in January, students will be able to take two on-line courses run by its Department for Continuing Education. The courses are not part of a full degree program. (AP)

• **EXCITING BUSINESS:** Excite Inc., the No. 2 Internet-search engine, and Ziff-Davis Inc.'s PC Computing magazine plan to produce a technology publication aimed at small- and mid-sized businesses, called Biz/Excite.

Biz/Excite will be published in print and as a Web site, biz.excite.com. The print version will be a supplement to PC Computing. Both editions will debut in August. (Bloomberg)

• **SOUND IDEA:** Matsushita Electric Industrial Co. is to market a digital sound recorder the size of a credit card under the Panasonic brand name starting Sept. 1.

The RR-DR60 IC recorder can record 60 minutes of audio and will sell for 15,000 yen (\$107). The new device can record up to 99 files, useful for recording from meetings or voice memos. Matsushita said. (Reuters)

• **BOOK DEAL:** Amazon.com Inc. entered into a pact Tuesday with Intuit Inc. to be the exclusive bookseller in the United States on Intuit's Quicken.com Internet Web site. (Reuters)

ALT / Commentary

Return to Sender: Who Will Finally Dam the 'Spam' Tidal Wave?

By Victoria Shannon

International Herald Tribune

PARIS — Hi. This mail contains a virus which is trying to format your hard disk right now. Just kidding. Or maybe not. Have a nice day.

This message, which I received recently, scores a new high in e-mail obnoxiousness. There was an attachment to the e-mail, so probably no virus. But I was still pretty damn annoyed.

I recently talked a friend into getting

an America Online subscription, and after two days on-line, he was appalled by the onslaught of e-mail inviting him to porn sites.

He had not even sent out any e-mails of his own yet.

"I can tell a good locker-room joke with the rest of them," he said. "But I am this close to canceling AOL. I thought this was supposed to be the family on-line service."

AOL says it is trying to crack down on unsolicited e-mail. The service offers its users several mail-filtering options,

including the ability to block mail from certain addresses.

Still, many people are beginning to have second thoughts about the usefulness of e-mail as they spend more and more time sorting through the unwanted missives known as "spam."

The World Wide Web community site of theiglobe.com tried to take on the issue in a live discussion group on the Internet this month with some notable e-mail experts.

The goal was to look at how we can protect our rights while letting commerce on the Web flourish.

The problem starts because the Internet is still a fairly new phenomenon, and courts and laws have not been crystal clear about how to deal with it. Thus, theiglobe.com came up with a wide interpretation of our rights even among its distinguished guests:

• David Sorkin, assistant professor at John Marshall Law School in Chicago: "Spamming isn't like walking up to someone on the street and saying 'hello.' It's like setting up an autodialer with a recorded message and dialing every telephone number in sequence — there isn't any significant constraint on the volume of solicitations, and that's why they are so burdensome."

• Eugene Volokh, law professor at UCLA: "First, most of what people call 'spam' is speech, presumably protected by the First Amendment. It may be annoying speech; some of it may be commercial speech; but any anti-spam laws are speech restrictions, and should thus be considered very carefully."

• Sanford Wallace, once known as the "Spam King" and former owner of Cyber Promotions: "Spam is not free speech. This has already been established in federal court, unfortunately at my company's expense."

David Rand, chief technology officer



of AboveNet and a member of the Mail Abuse Prevention System: "Spam is in the eye of the beholder."

The news gets worse because, from what I can tell, there is no consensus on the solution either.

Ray Everett-Church, of the Coalition Against Unsolicited Commercial Email, advised people to pay attention to their e-mail addresses. "The best thing to remember is how spammers get your e-mail address. From Usenet postings, chat rooms, and off-Web sites. Know where your e-mail address is

shown and try to limit who has access to it."

Most objectionable, though, is this: Why is it up to the innocent recipient to be the gatekeeper?

There is a lot of talk about a universal "opt-out" registry for people who do not want unsolicited e-mail. But besides being an administrative monster, it likely would not keep out the noncommercial chain letters or my anonymous correspondent quoted at the beginning of this column.

In this area, as in so much of the world of the Internet, we need some original thinking and cutting-edge ideas.

How can technology, which is hurting us in this realm, be turned around and used as a defensive weapon? If there are people out there with time on their hands to send out obnoxious e-mail, there surely must be people out there with time to figure out a solution.

Victoria Shannon edits TribTech. She can be e-mailed at tribtech@iht.com

SITES

A transcript of the spam discussion is available at:

www.theiglobe.com/vip/orbit/events/transcripts/spam/spam.qry

The site for the Coalition Against Unsolicited Commercial Email is www.cauc.org.

TECHNOLOGY INDEX				
A glance at technology stock indexes around the world				
North America	Tuesday close	% change previous week	% change year to date	
Pacific Stock Exchange Technology	385.82	+2.39	+25.90	
Standard & Poor's Technology Composite	970.50	+2.80	+38.65	
Europe				
Morgan Stanley Eurotech	714.57	+4.00	+85.50	
Asia				
Topix Electric	1886.38	+3.37	+14.73	
Source: Morgan Stanley, Bloomberg News				
For technology articles from the past week, see the Technology Index on the IHT's World Wide Web site at http://www.ihf.com . Articles include:				
• Telecom Italia Seeks Link With BSNL on Pay-TV, July 18-19	• Texas Instruments Profit Drops 53% as Chips Get Cheaper, July 22			
• Microsoft Fails to Clinch Deal With Hangeul, July 21	• Deutsche Telekom Can't Hang Up on First Telecom Users, July 22			
• A Privatizer Takes Over at Intelcel, July 21				
To reach TribTech editors or to comment on IHT technology coverage, send e-mail to tribtech@iht.com .				

Fed Chairman Warns Of Market 'Correction'

Greenspan Says Drop Could Be 'Significant'

WASHINGTON — Alan Greenspan, the chairman of the Federal Reserve Board, said Wednesday that the U.S. stock market would eventually suffer a "correction of some significant dimension."

"Ultimately, yes, history tells us there will be a correction of some significant dimension," Mr. Greenspan told the House Banking Committee on his second day of testimony to Congress. "What it doesn't help you much with is when."

Mr. Greenspan also said that unsettled Asian economies were continuing to weaken and that there was no clear indication when they will begin to recover.

"The evidence we have to date as yet shows no evidence of stabilization," he said. "The most recent data still exhibit deterioration. We do not know at what point this will turn. It will depend to a very substantial extent on the restoration of confidence and the restoration of confidence will depend on the types of economic policies that these countries are involved with."

Private economists, meanwhile, were in agreement that Mr. Greenspan's remarks showed that the central bank would probably leave interest rates alone for the immediate future.

U.S. stocks fell, with the Dow Jones industrial average closing 61.28 points lower, at 9,128.91.

U.S. bond prices fell, with the benchmark 30-year Treasury bond down 3/32 at 106 9/32, taking the yield up to 5.68 percent from 5.66 percent.

Sung Won Sohn, economist at Norwest Corp. in Minneapolis, said, "While Asia and other emerging markets may experience problems, he doesn't see that creating conditions in the United States that would justify a rate cut."

But some analysts said the Fed's next move still could be a rate cut, even though Mr. Greenspan seemed to play down that option in his remarks.

Mike Montgomery, economist at Standard & Poor's DRI, said if a rate cut does come, it most likely will occur in 1999 and be prompted by evidence that the Asian crisis has slowed the U.S. economy more than the Fed currently anticipates.

Mr. Greenspan's prepared House testimony, identical to his remarks before a Senate panel on Tuesday, said that reduced exports in Asia, the strike at General Motors Corp. and lower inventory growth were slowing the economy from its robust 5.4 percent annual rate of expansion in the first quarter.

That is helping to "foster a reasonably smooth transition to a more sustainable rate of growth," Mr. Greenspan said.

But he added that with consumer demand strong and labor markets tight, "the potential for accelerating inflation is probably greater than the risk of protracted, excessive weakness in the economy."

As was the case Tuesday, Mr. Greenspan gave no clear hint that a Fed move

See GREENSPAN, Page 12



BONJOUR TAX CUTS — Finance Minister Dominique Strauss-Kahn of France after the cabinet approved the 1999 budget Wednesday. Page 13.

Russian Firms Rebel

Pressure From IMF Rankles Oil Producers

MOSCOW — Russia's major oil companies accused the government on Wednesday of surrendering to "irresponsible" pressure from the International Monetary Fund, and the government retorted that the accusations were "ill-informed."

The benchmark Russian Trading System stock index fell 6.6 percent to 171.73.

In a message to President Boris Yeltsin, the oil companies said the government's rescue plan for the economy would force viable enterprises into bankruptcy and lead to mounting social strife.

The plan provides for radical tax reform, deep spending cuts and a raft of new levies that should improve the nation's finances to the tune of 105.2 billion rubles (\$17 billion).

The signatories of the protest included the biggest Russian oil enter-

prise, Lukoil, and also Yukos, Sidanko, Sibneft, Surgutneftegaz, TNK and the Eastern Oil Co.

Deputy Prime Minister Boris Nemtsov said the criticism was ill-informed, but added that the government was prepared to reconsider financial relief for the oil industry if the Duma, the lower house of Parliament, approved a bigger austerity package at a special session in August.

"A situation where well-informed people begin speaking about a dictatorship from international financial organizations is a joke," Mr. Nemtsov said.

To our great regret, the Duma did not pass in full the anti-crisis package, and under these conditions the government would be acting irresponsibly if it cut taxes and excises on oil."

He said that Russia had already cut taxes and fees for oil companies to compensate for lower world oil prices and had considered cutting oil excise payments earlier in the year.

"I hope we will reach an understanding from the point of view of the deputies and of the oil companies," Mr. Nemtsov said.

The oil companies said they were already working on austerity measures of their own, freezing investment, bringing drilling to a virtual halt and cutting wage payments.

"Social problems are on the rise" in oil-producing regions, the oil company majors warned, adding that the most recent measures taken by the government "objectively aggravate the situation" and, they asserted, are dictated "by pressure from international financial organizations."

The government is implementing an economic austerity program demanded by the IMF as a condition for a multi-billion-dollar loan package.

The package is designed to help Russia pay its debts and avoid devaluing the ruble.

But a government bond sale Wednesday, the first since the IMF deal was reached, raised only half the amount the government needs to cover this week's obligations.

Russia raised \$510 million from the sale of three-year bonds, which were sold at an average yield of 54.92 percent.

Russia is bracing for an economic contraction of at least 0.5 percent this year. (Reuters, AFP, Bloomberg)

The Culprit in the Oil Price Plunge: Overproduction

By Charles M. Sennott
The Boston Globe

AHMADI, Kuwait — The last time oil prices were lower than now, Grand Funk Railroad was on top of the music charts, bell bottoms were in and Watergate was engulfing Richard Nixon's presidency.

The reason prices are at 1973 levels, industry specialists say, can be summed up in one word: overproduction.

Here in the Gulf, which holds more than 40 percent of the world's known oil reserves, companies have been over-producing crude for months, pushing prices lower and lower.

Three weeks ago, the price for benchmark Arab light crude dipped to under \$11 a barrel. That represents a more than 40 percent drop in six months and a dramatically more precipitous drop when compared with the high of \$41 a barrel just before the 1991 Gulf War. With prices adjusted for inflation, experts say, the price of crude is lower than any time since the summer of 1973.

Two main factors are at work, industry experts say: a drop in demand caused by economic crises in the former Soviet Union and Asia, and a sharp

increase in supply caused by OPEC overproduction and the oil-for-food agreement between Iraq and the United Nations.

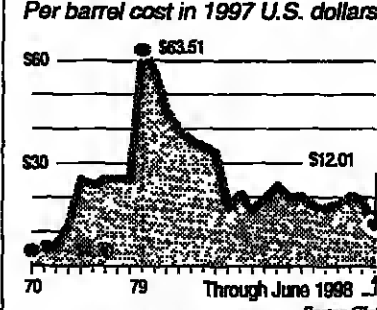
The origins of the price drop lie in the blistering desert terrain of oilfields such as Kuwait's Burgan Sands in Ahmadi, 24 miles south of Kuwait City. On a recent afternoon here, with temperatures more than 115 degrees, a maze of pipes flowing with crude stretched for miles across the desert. Orchards of 10-foot-high pumping stations known in the industry as "Christmas trees" sprouted from the sand for as far as the eye could see. On the distant horizon refineries spit orange flames into the sky.

This furiously pumping field, and others like it in Saudi Arabia, Bahrain and the United Arab Emirates, are producing more oil than ever, and they're doing it more efficiently. Using high-tech exploration and improved drilling and extraction techniques, companies are drawing more barrels a day than ever out of vast reserves that lie like sunken black pools of treasure beneath the desert landscape.

And with the recession in Asia creating less demand for all this oil, experts

Cut-Rate Crude

Per barrel cost in 1997 U.S. dollars



Source: Cambridge Energy Research Association

say, most OPEC countries are cheating on quotas that are spelled out in the complex agreements that hold together the Organization of Petroleum Exporting Countries. The 11 member countries produce the oil beyond their quotas to make up for the cheaper price. It is a spiral that forces prices down.

The Burgan Sands of Kuwait, which produce more than half of Kuwait's 2.2 million barrels a day, form the world's second-largest oil field, invaded by neighboring Iraq in August 1990. After the Gulf War, as Iraqi troops retreated in

February 1991, they set these oil fields ablaze. The rusted and burned-out remains of Iraqi tanks and troop carriers can still be seen along the roadside. Kuwait, along with international teams of firefighters, had to fight for months to put out the inferno.

The aftermath of the war has had profound consequences for the world oil market, some of them leaving President Saddam Hussein, the Iraqi dictator, with the last laugh as he squeezes his neighbors' oil revenues.

While it would seem that falling crude prices would hurt Mr. Saddam's Iraq as much as other producers, there is another side to the UN oil-for-food deal, experts say. After Mr. Saddam backed down from his saber-rattling earlier this year, Kofi Annan, the United Nations secretary general, granted a huge increase in the revenue ceiling for Iraqi exports to \$5.2 billion from \$2 billion every six months. That dumps some 2 million barrels a day on the world market without regard to price.

"Because the UN foolishly based the ceiling on revenue instead of volume, the program is a market wrecker," said

See OIL, Page 15

JAMES K. GLASSMAN ON INVESTING

A Word of Caution From the Big Bear

WASHINGTON — The bear was unhappy. Actually, "bear" is not a strong enough word, so let's call him the Big Bear, or Ursula Major. "You are doing a disservice to your readers," he told me when I paid one of my regular visits to his New York office.

Ursula was referring to my perennial bullishness — specifically to this phrase in a previous column: "The best way to approach the market is simply to go along for the ride wherever it leads."

Ursula's own view is that this ride is headed off a cliff and that I should be warning investors of the imminent catastrophe. What's happening now in the stock market, he says, is "crazy," and "it doesn't end happily." So I thought it would be only fair to give him his say, to present the bear's case. He does not want his real name used, but I will tell you two things about him.

First, Ursula is not so much a dyed-in-the-fur bear as a very smart contrarian. He has done a great deal of buying in his day, but only when he thinks the price is low. Second, he has made a huge fortune with this strategy, so it takes some hubris to second-guess him.

Ursula professes not to be a market-timer. "I don't know where the top of this market is," he says. But he knows it cannot continue to rise like this. And when it starts to fall, it will snowball. When the dust clears, he believes, the Dow could easily be down to 4000 — a decline of more than half.

He currently prefers inflation-linked bonds and occasional short-selling. He

does not like stocks, any stocks — even ones that seem underpriced. Value stocks — the ones that have lower valuations than the high-fliers — get clobbered in a bear market, too.

"Look at what happened in 1974 and '75," he says. The blue-chips of the Dow Jones industrial average dropped 40 percent, and dragged everything else down with them. Small-caps fell 50 percent, and value stocks got pummeled.

The high points of Ursula's case are these:

• **Valuation:** By historical measures, stocks are absurdly overpriced. For example, the price-to-earnings ratio for the Standard & Poor's 500-Stock Index, a good proxy for the market, is now 28. By contrast, before the market crashed in 1987, the P/E was 23.

An article in Barron's this week identifies seven blue-chip stocks which, on average, have more than doubled since the start of the year. Each of the seven — Cisco Systems, Inc., Coca-Cola Co., Dell Computer Corp., Lucent Technologies Inc., Microsoft Corp., Pfizer Inc., and Warner-Lambert Co. — has a P/E in the fifties, based on projections of 1998 profits. Other valuation measures are at all-time highs, as well. The average S&P stock, for instance, has a dividend yield of only 1.3 percent, or just one-third the average of the past 30 years. The price-to-book value of S&P is now 6.3, meaning that investors are willing to pay more than \$6 for every \$1 of a company's net worth on its balance sheet.

• **Perpetual Motion:** Ursula believes

that Wall Street analysts have created a "perpetual motion" machine. By low-balling profit projections, they cause companies to "beat the Street's estimates," thus pushing shares higher.

And, speaking of perpetual motion: Ursula is concerned that the millions of new investors drawn to mutual funds do not fully understand that stocks can go down. Since 1982, the S&P has produced a negative return only once (down 3.2 percent in 1990). In fact, since 1926, stocks have lost money roughly once every four years rather than once every 16 years. Even assuming that stocks do not gain another penny for the rest of 1998, over the past eight years returns have averaged more than 20 percent.

• **The Options Game:** Ursula worries about the options mania that has seized America — especially Silicon Valley. Sanford C. Bernstein & Co. recently reported that last year, stock option grants were up 56 percent, even though corporate earnings rose just 9 percent. Since 1992, options grants have quintupled. In 1997, companies used 22 percent of their free cash flow to buy back shares to give to employees exercising their options.

What's wrong with that? Aren't options a spur to greater returns for shareholders? It's doubtful, says Ursula. And, as Forbes reported in May, "The trap here is that the cost of the options is hidden from shareholders" because of the way they are accounted for in financial statements, where "they are not listed as a cost."

See INVESTING, Page 15

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CURRENCY & INTEREST RATES

Cross Rates										Libor-Libor Rates									
	USD	EUR	GBP	JPY	AUD	NZD	HKD	SAR	SGD		1-month	3-month	6-month	9-month	12-month	15-month	18-month	21-month	24-month
Australian dollar	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	1-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Canadian dollar	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	0.6925	3-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Chinese yuan	8.2777	8.2777	8.2777	8.2777	8.2777	8.2777	8.2777	8.2777	8.2777	6-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Czech koruna	20.3606	20.3606	20.3606	20.3606	20.3606	20.3606	20.3606	20.3606	20.3606	9-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Danish krone	6.4656	6.4656	6.4656	6.4656	6.4656	6.4656	6.4656	6.4656	6.4656	12-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Deutsche mark	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364	1.9364	15-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
French franc	6.5595	6.5595	6.5595	6.5595	6.5595	6.5595	6.5595	6.5595	6.5595	18-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Italian lira	2036.27	2036.27	2036.27	2036.27	2036.27	2036.27	2036.27	2036.27	2036.27	21-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Japanese yen	106.48	106.48	106.48	106.48	106.48	106.48	106.48	106.48	106.48	24-month	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
South African rand	6.5024	6.5024	6.5024	6.5024	6.5024	6.5024	6.5024	6.5024	6.5024										
Swedish krona	8.4656	8.4656	8.4656	8.4656	8.4656	8.4656	8.4656	8.4656	8.4656										
Swiss franc	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756	1.4756										
Thai baht	35.4806	35.4806	35.4806	35.4806	35.4806	35.4806	35.4806	35.4806	35.4806										
U.S. dollar	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000										

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EUROPE

Recovery
Helps Paris
Plan Cuts
In Taxes

Compiled by Our Staff From Dispatches

PARIS — The government said Wednesday it would cut taxes next year by 16.6 billion francs (\$2.7 billion), reducing overall taxes by about 0.2 percent in a bid to create more jobs and preserve France's economic growth as it recovers from an economic recession.

But big business and the wealthy will find that while some of their taxes are being lowered, others will be tightened up or increased, as the government tries to preserve its socialist credentials without smothering economic growth.

The budget minister, Christian Sautter, said that he and Finance Minister Dominique Strauss-Kahn had "presented a serious, ambitious budget, and I think it is a left-wing budget, because it will prepare our country for more growth, more jobs, and more solidarity at the beginning of the next century."

Lactitia Baldeschi, an economist at Paris brokerage CFP Finance, said, "Clearly, the government has abandoned deficit-cutting as its top priority and now it's jobs, jobs, jobs." The cabinet said after meeting to approve the broad lines of the 1999 budget that the economy would meet the targeted growth rate of 3 percent this year, enabling the government to raise spending in 1999 by about 1 percent, or 35 billion francs.

At the same time, the public deficit should fall to 2.3 percent of gross domestic product in 1999 from 3 percent this year, Mr. Strauss-Kahn said.

The 16 billion francs in tax cuts will be made up of 12 billion francs in new tax changes, and the rest from tax cuts announced last year but not yet implemented, Mr. Strauss-Kahn said.

The government had said it wanted to encourage "productive" business investment while keeping taxes high in such areas as stock-market speculation, in a bid to keep its Communist coalition allies happy without strangling business and threatening the recovery.

(Bloomberg, AFP)

Europe Seeks Latin Trade Push

EU Urges Members to Open Talks With Mercosur Nations

By Barry James
International Herald Tribune

BRUSSELS — The European Commission urged EU member states on Wednesday to take advantage of a breach in U.S. trade policy and authorize the opening of free-trade talks with the Mercosur group of Latin American countries.

Maurice Marín of Spain, the commissioner in charge of relations with Latin America, said the Southern Cone Common Market, with a population of more than 200 million, had overtaken the United States in importance. He said the market was of critical importance following the contraction of trade with Southeast Asia.

Mercosur includes Argentina, Brazil, Paraguay and Uruguay. Chile recently announced its intention to join the group after President Bill Clinton failed to get an authorization from Congress to open fast-track trade negotiations with the Latin nations.

Fast-track authority enables U.S. presidents to negotiate trade agreements with foreign countries. Congress can either accept or reject such agreements, but not amend them.

Mercosur is the fourth-largest market after the EU, the United States and Japan. The commission's push for a Mercosur accord is an attempt to fight off opposition from countries whose farmers would be hurt by imports of South American beef and wheat.

The proposal was far from unanimous and could be blocked by France or other countries that see their protected farm sectors coming under attack.

A commission spokesman said that France had to accept that if it wanted to sell Airbus aircraft to Mercosur members, it had to buy their products in return.

Mr. Marín said only that he had obtained a large majority for his proposal in the 20-member commission. He declined to give the size of the majority, or say which commissioners had opposed him. The commissioner responsible for agriculture, Franz Fischler of Austria, was reported to be opposed. Sir Leon Brittan of Britain, the commissioner responsible for foreign affairs and international trade negotiations, was another possible opponent because of the likelihood that an aggressive European trade push in Latin America could have a negative on the trans-Atlantic partnership with the United States.

Mr. Marín said that Mr. Clinton's failure to get fast-track negotiating authority had presented Europe with a golden opportunity to expand its markets in the region. "This could be the European fast track," he said.

According to the EU statistical agency, Eurostat, the EU increased exports to the four Mercosur members by 250 percent between 1990 and 1996, while imports from Mercosur over the same period rose by only 9 percent. The EU had a 3.6

billion ecu (\$3.97 billion) trade surplus with Mercosur in 1996. According to Eurostat, EU exports to Chile grew by 15 percent a year between 1992 and 1996, while imports grew by 5.1 percent. Europe had a 416 million ecu trade deficit with Chile in 1996.

Mr. Marín said European investment in the region had increased by some 600 percent during the 1990s, with emphasis on telecommunications, energy, financial services, automobiles, machinery and infrastructure.

The commission has a treaty right to conduct foreign-trade negotiations, but needs the approval of member states to start talks. The "if and when" of negotiations was up to them, Mr. Marín said. A commission spokesman said it was hoped the member countries would have agreed on a common negotiating position by the time of the EU-Mercosur summit meeting in Rio de Janeiro next June.

Mr. Marín acknowledged that the agricultural question, which would pitch European farmers against some of the most efficient farmers in the world, posed sensitive political problems for some member states. But the fact that Latin America was now the most advantageous region in the world for EU exports made the issue of equal importance to all 15 EU nations, he said. He added that the most sensitive agricultural products such as beef, cereals and sugar would be dealt with separately.

France Told
To Recover
Aid to BankBy Barry James
International Herald Tribune

BRUSSELS — The European Commission on Wednesday ordered the French state to recover money it poured into a failed bank as part of the massive Credit Lyonnais bailout.

The commission, the executive body of the European Union, accused France of acting in a "non-transparent and discriminatory manner," when it recapitalized the Société de Banque Occidentale, or SBO, a Credit Lyonnais subsidiary. France must now recover the 240.5 million francs (\$40.1 million) it poured into SBO before selling its healthy parts back to Credit Lyonnais.

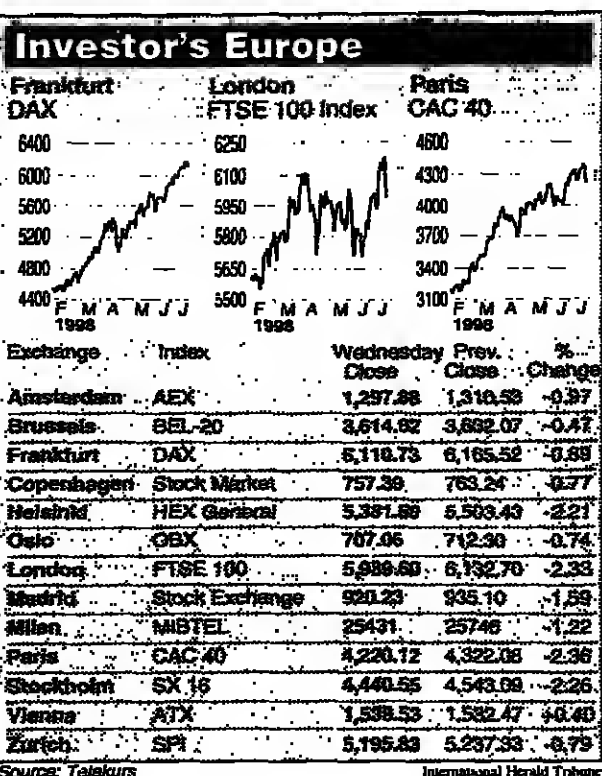
SBO had a negative value before the recapitalization. The commission said a private investor would not have injected a similar amount of nonreturnable capital under comparable circumstances. It said SBO could have been liquidated at a lower cost to the taxpayer, and that the recapitalization therefore amounted to state aid.

The commission said the refund was illegal because France had not complied with its obligation to inform the commission of all payments to Credit Lyonnais.

SBO was placed with other bad Credit Lyonnais assets into a holding company called Consortium de Realisations, or CDR, as part of a bailout plan approved by the commission in 1995. CDR is wholly owned by Credit Lyonnais.

The hived-off assets either were to be sold to third parties or repurchased by Credit Lyonnais at market value. Credit Lyonnais paid only 50 million francs to repurchase SBO in 1996, whereas independent estimates valued the bank at 173 million francs after recapitalization.

The commission opened an investigation into the deal in 1996. The commission allowed 45 billion francs of state aid to Credit Lyonnais in 1995 and a further 4 billion in 1996. Last May, it authorized supplementary aid totaling between 53 and 98 billion francs, depending on the losses incurred by CDR in disposing of the 186 billion francs in nonperforming or underperforming assets and liabilities it received from Credit Lyonnais.



Very briefly:

• Reuters Group PLC's pretax profit for the first half was £294 million (\$483 million), down 3 percent from the corresponding period last year, as a strong pound and slower sales of electronic trading systems cramped sales growth.

• PolyGram NV's second-quarter earnings fell 84 percent to 23 million guilders (\$11.43 million) a year earlier due to a shortage of big-selling pop releases and widening losses in its film unit.

• BASF AG, Germany's biggest chemicals and drugs maker, sold a 35 percent stake in Compaq Informationssysteme GmbH to Persetel Deutschland Holding GmbH for an undisclosed price.

• Scandinavian Airlines System, Europe's sixth-largest airline, ordered 13 aircraft of the 737-600 model worth about \$400 million from Boeing Co.

• Telefonica SA, Spain's largest telephone company, and a Canal Plus SA unit, Sogecable, agreed to stop competing in Spain's nascent market for digital satellite television by merging their services. The companies gave no details of the arrangement.

• Sulzer AG, Switzerland's largest textile-machinery maker, said first-half orders fell 4.4 percent to 3.08 billion Swiss francs (\$2.04 billion) and that it would take a charge of 60 million to 70 million francs in 1998.

• Munich prosecutors said they found no evidence of suspected tax evasion in an investigation of Leo Kirch, the Bavarian media mogul, and will drop their three-year inquiry of the head of Kirch Group, Germany's second-largest broadcaster.

• Euro Disney SCA, operator of the Disneyland Paris theme park, said sales rose 4.7 percent to 1.61 billion francs (\$267 million) in the three months ended on June 30 from 1.54 billion francs in the year-earlier period. AFP, Reuters, Bloomberg

WORLD STOCK MARKETS

Wednesday, July 22

Daily prices in local currencies

High Low Close Prev.

Amsterdam AEX index: 1297.88

Previous: 1295.33

Frankfurt DAX index: 2243.52

Previous: 2243.52

London FTSE 100 index: 2540.25

Previous: 2540.25

Paris CAC 40 index: 2650.25

Previous: 2650.25

Tokyo Nikkei 225 index: 12,111.11

Previous: 12,111.11

Hong Kong Hang Seng index: 8,488.22

Previous: 8,488.22

Singapore SET index: 2,242.24

Previous: 2,242.24

Buenos Aires Merval index: 17,129.29

Previous: 17,129.29

Copenhagen Stock index: 752.25

Previous: 752.25

Stockholm OMX index: 1,311.11

Previous: 1,311.11

Oslo OSE index: 450.00

Previous: 450.00

Vienna ATX index: 2,242.24

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Zurich SPI index: 2,242.24

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Tel Aviv TA-35 index: 1,311.11

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Athens ASE index: 1,311.11

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Lisbon PSI index: 1,311.11

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Madrid IBEX 35 index: 1,311.11

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Barcelona IBEX 35 index: 1,311.11

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Santo Domingo ICBV index: 1,311.11

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Santiago IPSA index: 1,311.11

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Lima IGV index: 1,311.11

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Bogota IBOV index: 1,311.11

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Caracas CVR index: 1,311.11

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Port of Spain CCIV index: 1,311.11

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Paramaribo PSIV index: 1,311.11

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Georgetown GSE index: 1,311.11

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Johannesburg All Share index: 2,242.24

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The 2,600 most traded stocks of the day.
 Nationwide prices not reflecting late trades elsewhere.
 The Associated Press.

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Continued on Page 16

ASIA/PACIFIC

Imports Fall Sharply as Japan Trade Gap Soars

Compiled by Our Staff From Dispatches

TOKYO — Japan's trade surplus with the rest of the world jumped 27 percent in June and soared 66 percent for the first six months of the year, driven by tumbling imports amid slow consumer demand, official data showed Wednesday.

The merchandise trade surplus — a tally of goods the country exports minus its imports — rose to 1.218 trillion yen (\$8.76 billion) in June, the Finance Ministry said.

Exports rose 5.2 percent for the month, to 4.33 trillion yen, while imports declined 1.4 percent, to 3.12 trillion yen, the ministry said.

"What we are seeing here is weak export growth and continued drops in imports," said Junji Ota, an economist with the Okasan Economic Research Institute. "Imports did fall more than I expected, but, more importantly, the growth of exports is slowing faster than previously anticipated."

The Japanese trade surplus with the United States, meanwhile, increased 48.6 percent, to 555.58 billion yen in June.

The surplus has been rising as Japan imports less because of a prolonged slump. Tokyo has been coming under increasing pressure to revive its recession-plagued economy and help struggling Asian nations by importing more.

For the first six months of 1998, Japan's surplus with the rest of the world totaled 6,567 trillion yen.

Exports in the half rose 2.2 percent, to 25.3 trillion yen, while imports slumped 9.9 percent, to 18.7 trillion yen, the ministry said.

With the United States, Japan posted a six-month surplus of 3,074 trillion yen, a 37.7 percent increase from last year.

The trade surplus with the rest of Asia tumbled 26.8 percent, to 2.08 trillion yen in the half. Exports to the region fell 15.0 percent, while imports dropped 10.6 percent.

"The recovery of exports to Asia has not been seen, and there is little hope of a substantial rise in total exports in the immediate future," said Yoshiko Onuki, an economist at Barclays Capital. "Imports are expected to remain on a negative trend, due to the continuing weakness of domestic demand."

(AP, AFP)



OUT OF BUSINESS — Pedestrians walking by boarded-up shops covered with posters in Hong Kong on Wednesday. The territory is in the grip of recession as recent data showed that unemployment had grown and the economy had contracted for the 2d straight quarter.

Growth Rate In Shanghai Misses Target

Compiled by Our Staff From Dispatches

SHANGHAI — This city is struggling in its role as an engine for China's slowing economy. Investment slid and demand remained sluggish in the first half of the year.

Shanghai's economy grew by 9.4 percent in the half, missing its 10-percent target amid a slowing national economy, according to figures released Wednesday.

Total economic output was 173.6 billion yuan (\$20.97 billion), the Municipal Statistics Bureau said.

Investment in fixed assets was 51.3 billion yuan, down 8.1 percent from a year earlier. But Pan Jianxin, director of the Statistics Bureau, insisted that the decline was a reflection of recent high investment, not economic weakness.

"Mainly this is because of the high rate of increase, more than 40 percent over the past few years, forming a very large basis for comparison," he said.

The whole country has suffered a sharp decline in foreign investment because of the Asian recession and because many foreign joint-venture partners have grown frustrated with low profits.

The government announced last week that the national economy grew by 7 percent in the first half. A rate of 8 percent was regarded as essential to create jobs for legions of workers being laid off in a restructuring of state industry.

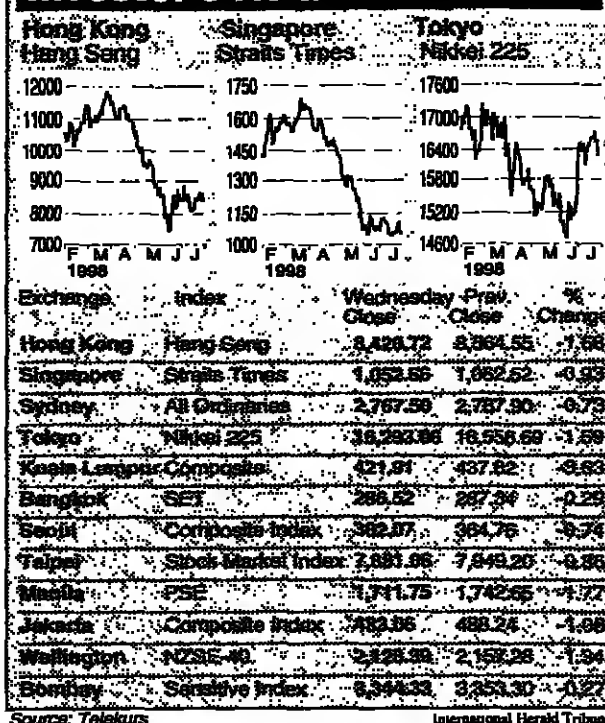
In other news, the country's foreign-exchange reserves fell by about \$110 million dollars, or 0.1 percent, in the second quarter, the State Administration of Foreign Exchange reported Wednesday.

Beijing has repeatedly cited the size of its foreign reserves in insisting it has no plans to devalue the yuan. The strength of the yuan relative to Asian currencies battered by the recession has hurt China's exports and cut foreign investment.

Bot Joseph Stiglitz, a vice president and chief economist at the World Bank, said on Wednesday that any devaluation by China to boost the competitiveness of its exports would not work. "The first thing is that it is quite likely that other currencies would devalue in parallel," he said.

(AFP, AP)

Investor's Asia



Very briefly:

- The Australian government bowed to pressure from angry rural voters and announced it would keep its majority stake in Telstra Corp. rather than proceed with plans to fully privatize the communications company. Consumers in rural areas were concerned that a privatized phone company would downgrade service to remote areas.
- Malaysia's prime minister, Mahathir bin Mohamad, said the country would move ahead with massive infrastructure projects to spend its way out of economic problems, according to news reports. In recent weeks, Malaysia has announced two fiscal stimulus packages worth 12 billion ringgit (\$2.92 billion).
- Singapore's semiconductor industry, reeling from a steep plunge in electronic chip prices, may reschedule production due to shrunken demand, a top official said.
- Ernst & Young (Singapore), in a survey conducted in November 1997, found that one in three companies in Singapore had been the victim of fraud in the previous 12 months. The 105 companies in the survey said they lost nearly \$12 million to fraud in that period.
- Airbus Industrie agreed to defer deliveries of two A-330 wide-body jets to Korean Air, instead of the five deferrals being sought by the airline on Airbus planes due for delivery next year.
- Sara Lee Corp. is looking for acquisitions in the Asia-Pacific region, which it sees as a major future growth area, said Peter Birch, the company's regional chief executive officer.
- Young Poong Mining & Construction Co. said it discovered gold deposits in Papua New Guinea estimated at \$2 billion.
- Toyota Motor Corp., Japan's largest automaker, downgraded its 1998 sales forecast to 2 million units from an earlier estimate of 2.14 million units and cut its production forecast to 3.2 million units from 3.44 million units forecast earlier this year.

AFP, AP, Bloomberg, Reuters

U.S. Action Hits Asia Steel Stocks

Washington Levies Duties on Firms in 7 Countries for Dumping

Bloomberg News

TOKYO — Shares of Japanese and South Korean steel companies fell Wednesday after the United States levied duties on steelmakers in seven countries, saying they were dumping stainless steel rod in the United States for as much as 34 percent below cost.

The penalties are designed to help the U.S. steel industry overcome damage from allegedly unfair trading practices by Nippon Steel Corp. of Japan, Pohang Iron & Steel Co. of South Korea and other producers in those two countries, as well as in Germany, Italy, Spain, Sweden and Taiwan.

"Whenever you have duty of 25 percent, it's going to hurt the bottom line," said Winston Barnes, head of foreign equity sales at Japan's Nikko Securities Co.

Nippon Steel closed down 6 yen, or 2.3 percent, to 254 yen (\$1.83). Kawasaki Steel Corp.

dropped 13 yen, or 4.89 percent, to 253 yen. Daido Steel Co. fell 4 yen, or 1.77 percent, to 222 yen. And Pohang Iron closed down 700 won, or 1.41 percent, at 49,100 won (\$38.08).

The U.S. Commerce Department decision on Tuesday comes as Japan, South Korea and other East Asian nations have seen their economies tumble into recession and their currencies plunge in the last year. Tough economic times have increasingly driven them to depend on exports, particularly to the United States, to revive growth.

But in this case, Asia's economic crisis would not have been a major factor in any of these cases because the Commerce Department compared the companies' steel prices in their home countries with their prices in the United States between July 1996 and June 1997.

The decision to levy duties against the steel companies fol-

lows the Commerce Department's preliminary ruling in December to charge the duties, though some penalties were revised. The decision is based on an initial finding, last September, by the U.S. International Trade Commission of a "reasonable indication" the United States was harmed by steel imports from these countries.

Until the trade commission — a federal agency that determines the impact of imports on U.S. industry — issues a final decision, steel companies will pay only a nominal fee on the duties, said Bernard Carreau, a Commerce Department senior policy adviser. The ruling may come in September.

The duties vary widely. For example, although most Japanese steelmakers will pay a 25.26 percent duty, Nippon Steel will pay a 21.18 percent duty. Daido Steel Co. will pay 34.21 percent and Hitachi Metals Ltd. will not pay any.

OIL: Overproduction Cited as Culprit in the Plunge in Oil Prices

Continued from Page 11

the June 22 lead editorial in the respected industry publication Oil and Gas Journal.

"The lower prices go, the more Iraq produces in pursuit of the revenue cap, feeding a surplus and weakening prices."

"He's getting what he wants. His neighbors are frantically slashing production in defense of crude values. Their revenues are plummeting. No one should doubt that Hussein is cunning enough to have pulled this off."

But some of the answers also lie beyond the Gulf. The industry has changed profoundly since the days in the 1970s and '80s when OPEC wielded its might and created oil shocks that seemed to portend ever higher prices. Today, oil is coming into the market from every corner of the globe, including Venezuela, Mexico, the North Sea and Indonesia. And more exploration is going on around the Caspian Sea and offshore West Africa. This diversification weakens OPEC's ability to send prices soaring.

"The days of OPEC may well be over," says Chuck VanAllen, vice president of Saudi Arabian Texaco Inc. "We are looking at the new world order in the global oil markets where the Saudis, the Venezuelans, and Mexico will be the major players."

Some analysts have even suggested that a clandestine movement is afoot to create a group of producers to guide world prices led by the Saudi oil minister, Ali Naimi. Remarks made by Mr.

Naimi in a June 26 Wall Street Journal article fueled such speculation. The interview also provided a candid admission by Mr. Naimi that OPEC does not have great credibility in its recent promise to cut up to 2.5 million barrels a day from the world production of 73 million barrels a day.

Critics say OPEC's promises are too little too late, and that reserves have grown so large that even if OPEC did live up to its promise, the cuts would have no impact for at least a year.

Over the past year, the price collapse has cost OPEC's members an estimated \$45 billion in lost revenue, roughly one-third of their total income, with no end in sight.

Eliyahu Kanovsky, one of the world's leading experts on oil, predicted the collapse of oil prices in a series of research papers for The Washington Institute for Near East Policy.

Throughout the 1970s and '80s there were "lots of doomsday predictions that the oil cartels would take over the world, but I've always been skeptical," he says.

Although prices of oil dropped equally low in 1986, he says, they recovered within weeks, whereas this slump has seen a steady and rapid decline for six months. And OPEC's promises to cut production have done little to improve the market. This is proof, he says, that we are down to the underlying or "fundamental price" of oil.

Bot Ann-Louise Hittle, chief researcher on world oil for the consultancy group Cambridge Energy Research Associates of Massachusetts,

cautions: "If you wait long enough every forecast in oil comes around. It's a very volatile commodity. But it is certainly true that we have an overabundance of supply and a dramatic drop in world demand."

Ms. Hittle points out that "largely due to the Asian economic crisis," the growth in demand for oil dropped 50 percent in 1998, down to 1.5 percent.

Mr. Kanovsky maintains that falling oil prices will increase instability in the Middle East, especially in the Gulf. "But it will also have a ripple effect in more diversified economies like Egypt, which relies on oil for about 40 percent of exports, and Syria, which relies on it for about 55 percent."

For the past 25 years, the Gulf states have resolved domestic problems by throwing petrodollars at its citizens in the form of free health care, housing, and the promise of jobs. The price crisis, which is projected to produce a \$10 billion budget deficit for the government of Saudi Arabia, could make it impossible for these countries to sustain this kind of approach and could create political and social turmoil in the near future.

KOREA: Police Arrest 19 Labor Activists Ahead of General Strike

Continued from Page 1

Kim, surrounded by some of his subordinates as well as several other labor leaders.

The labor movement has moved ahead fitfully, begin-

ning with walkouts lasting one or two days. While the strikes do not have wide popular support, they have been strong enough to force the country's two largest motor vehicle manufacturers, Hy-

undai Motor Co. and Daewoo Motor Co., to shut down their lines this week. Chances for reopening them for more than a few days at a time appear dim while union members stand by their basic demand that both companies give up their plans for layoffs.

The Korean Confederation of Trade Unions was significant backing Wednesday pledges by leaders of Korea Telecom and the Seoul subway system, among others, to walk out Thursday.

In talks with Korea Telecom, officials have sought to explain the union's objections to privatization as a misunderstanding. Kong Sung Do, director of the privatization division of the government's planning and budget commission, said, "The plan isn't as bad as they think it is. They need to be careful not to equate privatization with massive layoffs." The plan does not address the issue of layoffs.

Today, OPEC countries pump 27 million barrels a day and get less.

PAL Says Strike Could Imperil Airline's Viability

Compiled by Our Staff From Dispatches

MANILA — Ground personnel at Philippine Airlines Inc. went on strike Wednesday, as management warned that the strike could be a fatal blow for Asia's oldest airline.

The Philippine Airlines Employees Association, representing about 8,000 ground crew at the money-losing flag carrier, ignored a government order and began an unlimited strike to protest job cuts.

"This is the last nail in the coffin," said Noel Reyes, vice president of Anson Hagedorn Securities Inc.

Strikers are demanding that the company rehire thousands of workers laid off during a recent pilots' walkout.

PAL said the strike could close down the airline. "This reckless and ill-advised action, like a fatal blow, may ultimately crush Philippine Airlines. By staging this illegal strike, PAL has put in jeopardy any proposed rehabilitation plan for the airline, and, with it, our last hope for survival as well."

Airline executives said the strike might prompt regulators to take drastic action, including closing the airline down.

(AP, Reuters, Bloomberg)

CROSSWORD

ACROSS

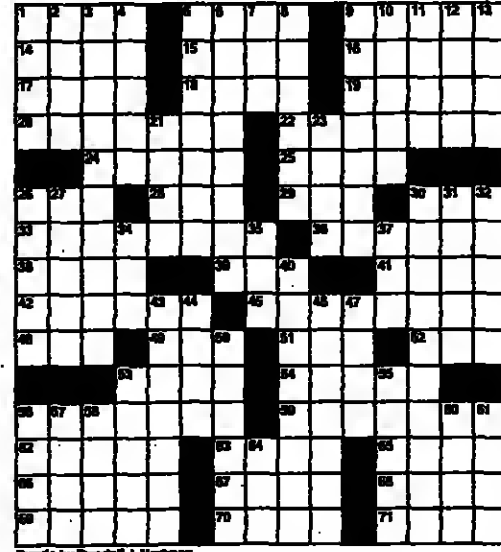
- 1 Like good beds
- 3 — the finish
- 5 Word said in grace
- 14 Martin's "On the Waterfront" director
- 16 Fix up
- 18 Circumscibe
- 27 Attempt at a carnival booth
- 28 This has a big mouth
- 29 Walked city near Madrid
- 30 Tonto portrayer, briefly
- 32 "Goodnight, Irene" singer, briefly
- 34 Union headquarters?
- 35 Symbols of lengthy power
- 36 Financing abbr.
- 37 Arise article
- 38 Future fish
- 39 Loss (to)
- 40 Old instrument of torture, briefly
- 41 One on a pedestal
- 42 — Cayes, Haiti
- 43 See 42-Across

DOWN

- 2 With 41-Across, idiom's correspondence
- 4 Bond nemesis, briefly
- 6 Cambridgeshire cathedral town
- 10 Kindergarten break
- 11 Cartoon dog
- 12 Afore
- 13 Irish Rose lover
- 14 "Silly Cow" playwright Ben
- 15 Like Marilyn Monroe, briefly
- 16 Early theater, briefly
- 17 The final word
- 18 Soliman smelter
- 19 Linoleum layer
- 20 Smoke detector
- 21 No-win situation?
- 22 Stunk the put, with "out"
- 23 Actress Harper
- 24 Louis Armstrong popularized it
- 25 Fox Moviezone place
- 26 Drink suffix
- 27 Lethargy
- 28 Tattletale
- 29 Subplots
- 30 Biographer Ludwig
- 31 Kindergarten break
- 32 Galloway reprints
- 33 Pinchusion alternative
- 34 Sweet site
- 35 Esger and excited
- 36 Piano part
- 37 Like Ernst Hemingway's law
- 38 River
- 39 The spot
- 40 Hit and Haig
- 41 World's largest professional org.
- 42 Miller of "On the Town"
- 43 Certainly
- 44 Chief
- 45 Ocasio and others
- 46 Eagerly studying
- 47 Helicopter
- 48 The Bee Gees, a.k.a.
- 49 Certain charger
- 50 Most draftable
- 51 Democratic donkey designer
- 52 Trodden track

Solution to Puzzle of July 22

POM DADA BACAR
AMIR 1915 GULLA
INRI LEAS BACON
LIONHEARTED KEG
TIA LIONHEARTED
NAPALM BOWBOAT
ALID ASTO NOOSE
BAG ASPETTO TOX
BREAM ALSO LENA
SMOKERS MAIDEN
MATE STORM
ALT HARBOR LINED
RODDY MANDILO
ALEXIS MANDILO
MADLEY SLEW NEAT



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IN THE SUPREME COURT OF GIBRALTAR

1991: Comp No. 57

IN THE MATTER OF

Bank of Credit and Commerce Limited

(In Compulsory Liquidation) (The Company)

and

IN THE MATTER OF the Banking Ordinance

and

IN THE MATTER OF the Companies Ordinance

NOTICE TO CREDITORS OF INTENTION

TO DECLARE A SECOND (INTERIM) DIVIDEND

To All persons and entities who appear from the records of the Company to have had a contractual relationship with the company AND have NOT to date filed a proof of debt in the Liquidation of the Company:

TAKE NOTICE THAT a Second (Interim) dividend is intended to be declared in this matter.

The Joint Liquidators have written to all such persons as appear to be entitled to bring a contractual claim against the Company inviting them to do so no later than the claims filing deadline of 3 September 1998. The Joint Liquidators shall thereafter proceed to declare and distribute the second (interim) dividend only to those persons who have lodged proofs of debt within the filing deadline and which have been accepted and admitted in the Liquidation.

All correspondence and notices regarding this matter should be sent to: The Joint Liquidators, F.A. Isola and E.J. Gomez, Bank of Credit and Commerce Gibraltar Limited, Suite 3c, Regal House, Overseasway, PO Box 166, Gibraltar.

Dated this twenty-third day of July, 1998. FA Isola and EJ Gomez, Joint Liquidators.

NASDAQ

Wednesday's 4 P.M.

The 1,000 most traded National Market securities
in terms of dollar value, updated twice a year.
The Associated Press.

12 Month	High	Low	Stock	Div	Yld	PE	52	Week	High	Low	Latest	Cmp
A-B-C												
274	34 1/2	29 1/2	ABB	1 1/2	4 1/2	14	22 1/2	24 1/2	24 1/2	24 1/2	24 1/2	24 1/2
275	34 1/2	29 1/2	ABB	1 1/2	4 1/2	14	22 1/2	24 1/2	24 1/2	24 1/2	24 1/2	24 1/2
276	34 1/2	29 1/2	ABB	1 1/2	4 1/2	14	22 1/2	24 1/2	24 1/2	24 1/2	24 1/2	24 1/2
277	34 1/2	29 1/2	ABB	1 1/2	4 1/2	14	22 1/2	24 1/2	24 1/2	24 1/2	24 1/2	24 1/2
278	34 1/2	29 1/2	ABB	1 1/2	4 1/2	14	22 1/2	24 1/2	24 1/2	24 1/2	24 1/2	24 1/2
279	34 1/2	29 1/2	ABB	1 1/2	4 1/2	14	22 1/2	24 1/2	24 1/2	24 1/2	24 1/2	24 1/2
280	34 1/2	29 1/2	ABB	1 1/2	4 1/2	14	22 1/2	24 1/2	24 1/2	24 1/2	24 1/2	24 1/2
281	34 1/2	29 1/2	ABB	1 1/2	4 1/2	14	22 1/2	24 1/2	24 1/2	24 1/2	24 1/2	24 1/2
282	34 1/2	29 1/2	ABB	1 1/2	4 1/2	14	22 1/2	24 1/2	24 1/2	24 1/2	24 1/2	24 1/2
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298	34 1/2	29 1/2	ABB	1 1/2	4 1/2	14	22 1/2	24 1/2	24 1/2	24 1/2	24 1/2	24 1/2
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NYSE

Wednesday's 4 P.M. Close
(Continued)

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WORLD ROUNDUP



Tim Floyd coaching Iowa State in Ames in December 1997.

Bulls New Coach Likely To Be Floyd

BASKETBALL The Chicago Bulls are set to name Tim Floyd, the former Iowa State coach, as their head coach.

The team will announce Floyd's hiring on Thursday, a Bulls source said Wednesday, speaking on condition of anonymity.

Floyd, 44, resigned as Iowa State coach Wednesday. He and his family arrived in Chicago from Ames, Iowa, but would not comment.

The start of Floyd's National Basketball Association coaching career could signal the end of Michael Jordan's as a player.

Jordan has made no secret of his unwillingness to play for Floyd, who has no NBA coaching experience but compiled a 243-130 career record with five NCAA tournament appearances. His team went 12-18 last season, his only losing season as a college coach.

Jordan has said repeatedly that he would play for any coach but Phil Jackson, who left at the end of the season after the team won its sixth championship.

"I think it would be a shock to anyone close to the scene had Tim Floyd not been hired," said David Falk, Jordan's agent. "This was a decision that was made a year ago." He wouldn't say where Jordan was or if he had made a decision on next season.

Floyd played three years at Louisiana Tech. His father, Lee, was the basketball coach at Southern Mississippi. Floyd's first head coaching job was at Idaho. He spent six seasons as coach at New Orleans University. (AP)

Policy Change for 49ers

FOOTBALL Carmen Policy said Wednesday he had resigned as president of the San Francisco 49ers. He said he had quit to pursue other unspecified opportunities. He is expected to seek a position with the expansion Cleveland Browns, who will begin play in 1999.

Policy was president for eight years, building the team that won the 1994 Super Bowl. He first worked for the team as the attorney for owner Eddie DeBartolo with whom he has since fallen out.

Larry Thrall, chief operating officer of the Edward J. DeBartolo Corporation, will take over as the 49ers interim chief executive. (AP)

Rains May Move Cup

SOCCER The 2002 World Cup in Japan and South Korea may have to be moved to September to avoid the June-July rainy season, Moon Joon Chung, South Korea's top soccer official, said Wednesday.

The World Cup finals are traditionally held in June and July, avoiding league schedules in Europe and South America. (AP)

Dino Zoff on Wednesday succeeded Cesare Maldini as Italy's national coach. Zoff, the former Italy and Juventus goalkeeper, has signed a contract to 2001. (AFP)

Alain Afflelou, one of France's best-known entrepreneurs, was released by police Wednesday after being questioned for more than 30 hours over an alleged financial scam at the Bordeaux soccer club. Afflelou, who owns a chain of eyeglass stores, was club president in 1991 and 1996. (AP)

Dutch Beat United States

BASKETBALL Rob Cordemans pitched a four-hitter as Netherlands beat a United States team of college players, 3-1, Wednesday in Palermo, Sicily, in the preliminary round of the world championships. (AP)

In Home-Run Derby, Sosa Is Odd Man Out
Cubs' Slugger Was 'Never a Fan' in Youth

By C. Jemal Horton
Washington Post Service

PITTSBURGH—He always was a busy little boy. Too busy running around San Pedro de Macoris in the Dominican Republic with a shoeshine kit to think about baseball heroes. Heroes in Sammy Sosa's family were people who could help pay the bills and buy groceries. Making \$2 a day polishing shoes, Sosa became a hero at 9.

Roger Maris? Sosa didn't really know who the Yankee slugger was until he, Mark McGwire and Ken Griffey began hitting home runs at a record pace three months ago, threatening Maris's single-season mark of 61.

Growing up unaware of major league legends is perhaps what separates the Chicago Cubs outfielder from McGwire and Griffey, players who talk about the home run record through clenched teeth — players who most say have a better shot than Sosa of breaking the record.

But that's part of the reason Sosa, who has 36 home runs, enjoys the national attention he finally is drawing. People outside of Illinois finally know who he is.

"I'm a professional, this is my job, and when you're doing great, people want to know," Sosa said. "I enjoy it. I'm having the best season of my life."

Griffey grew up with an All-Star dad with the same name and hung out with baseball stars, while McGwire had big-league idols since Little League. Sosa grew up hoping to one day have a job that didn't require being on his knees. Unlike Griffey and McGwire, he spent lots of time on cramped, minor-league buses. At 29, he still is learning the game.

"I never was a fan," Sosa said. "I didn't know who this guy was or that guy was. I was busy working, trying to make money for my mother because she was struggling when my father died. It's not like now. Everything is different. We have food on the table, you know."

Last month, McGwire, who leads baseball with 43 homers, said he felt like "a caged animal." Griffey, who has 40 homers, has said he didn't want to talk with reporters about his pursuit of the record.

McGwire and Griffey went through the Maris chase, out so gracefully, last year. Sosa tries to do every interview because, well, it's only baseball. As he says: "There are people with bigger problems than that. Believe me, I know."

SOSA HAS had a good career, but until this season probably was best known for the flashy dugout kisses he throws to TV cameras for his family. He already is near his career-best of 40 home runs, and his .322 batting average is nearly 70 points better than his career average.

He jumped into the Maris race — and the spotlight — by hitting 20 home runs in June, the most ever in a month.

"He's just starting to get recognized outside of Chicago because he's in the home-run hunt," said Billy Williams, the dugout coach and Cubs Hall of Famer who was a hitting coach when Sosa was traded to the Cubs from the White Sox in 1992. "But this is easy for him. Shining shoes, that was the pressure. He kind of looks at things a different way than other players."

Sosa says he's more patient and relaxed in the batter's box this year, an

advance from his old reputation as an undisciplined batter with God-given ability and brute strength.

"You'd be relaxed if you had \$50 million, too, wouldn't you?" Williams joked, referring to the four-year contract Sosa signed before this season.

Sosa didn't start playing baseball until he was 14, when his older brother, Jose, retired him as a shoeshine boy. "I'm going to put you in the league," Jose would say as he took Sammy out to the sugar cane fields of San Pedro de Macoris and taught him to play baseball. Two years later, in 1985, the Texas Rangers signed him for what Sosa said was about \$3,000.

He was in the low minors until 1989 when he was traded to the White Sox, where, for three years, he made errors in the outfield and swung at almost everything pitchers threw. One baseball official said Sosa was having financial problems brought on by his love for big gold chains and the responsibility of supporting his family back in San Pedro de Macoris.

"I was young, trying to stay at the major league level," Sosa said. The White Sox "didn't treat me the way I was supposed to be treated or give me the opportunity they were supposed to give me. Then they got rid of me."

BEFORE the 1992 season, Sosa was sent across town to the Cubs along with a pitcher, Ken Patterson, for the veteran outfielder George Bell.

"We were looking for a proven, veteran hitter, and Sammy was a young kid that wasn't ready to be in the big leagues," said Roo Schuler, the White Sox's general manager. "He'd throw to the wrong base and he was a free swinger. I sensed he was more of a little bit of the rebellious type. He didn't want to listen to the hitting coach or anything."

"As far as being mistreated, I don't know how you're mistreated when you're 21 years old and in the big leagues. He was hitting .215 and we kept him in the lineup. If I had to identify one problem, it was that he had no discipline."

By then, Sosa had a complex. In his first spring training at-bat for the Cubs, he swung at a pitch and looked toward the dugout waiting for criticism. "That's what he'd do over at the White Sox because they critiqued every swing," Williams said. "I said, 'Hey, look at the pitcher, that's the guy getting you out. We'll work on it tomorrow.'"

Sosa played only 67 games that season, spending two stints on the disabled list — once with a fractured hand, then a fractured ankle. He hit .260 with eight home runs and 25 runs batted in.

But the following season, 1993, Sosa became the first player in club history to hit 30 home runs and steal 30 bases in the same season. Although his batting average barely improved to .261, he collected 33 home runs and 93 RBIs.

"I started feeling more comfortable," he said. "I felt I had more of an opportunity here because they traded me here to play me every day."

People don't go out to ballparks to watch Sosa's batting practice the way they do for McGwire. There is a faction of Cubs fans in every city, but they cheer on the whole club, not just Sosa. The veteran first baseman, Mark Grace, still may be the star on the team. According to the Cubs' media office, the rookie pitcher Kerry Wood has received more interview requests this season.

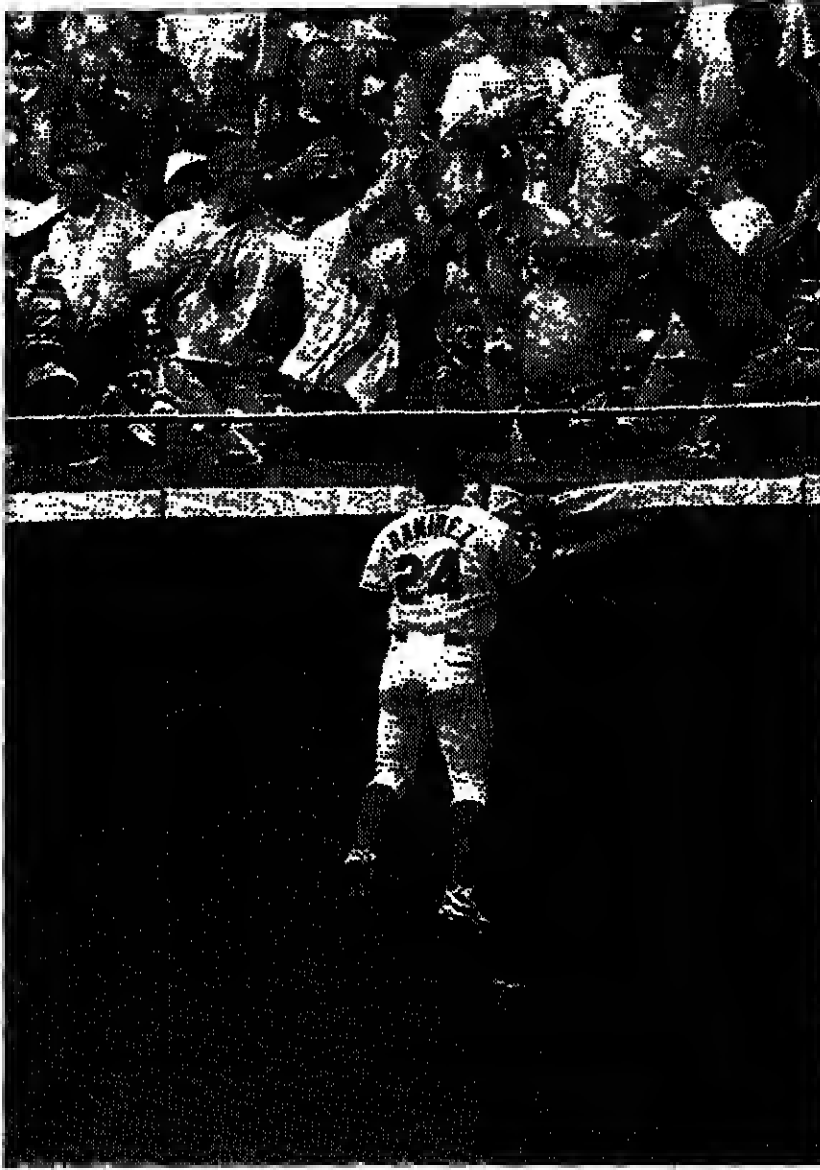
"He's going to get more attention as this thing goes on and more than anything, it might be even more important for him to step back and be even less available," said the Cubs' shortstop, Jeff Blauser.

Jim Riggleman, the Cubs' manager, said McGwire and Griffey, by limiting interviews, were handling their situations well. He thinks that may be a good idea for Sosa, too. He only shakes his head when asked why Sosa is unique.

Sosa "comes to work every day with a smile on his face," said Riggleman. "He's had a very humble upbringing, but a proud upbringing. He's very dedicated to his family in the Dominican. He knows he's making them proud when he goes out there."

The pressure has gotten to Sosa at times. Recently, he went six games without a home run. He later confessed to going to the plate "trying to hit two home runs" each time. During one loss to the Pirates, he struck out three times, twice reaching awkwardly for outside pitches and once looking at a strike on the outside corner to end the game.

"That's happened to him from time to time, but he's still a lot better," Williams said.



Cleveland's Manny Ramirez watching fans field Nomar Garciaparra's homer.

Griffey Smashes His 40th As Seattle Drubs Tampa

The Associated Press

Ken Griffey Jr. hit his AL-leading 40th homer as the Seattle Mariners beat the Tampa Bay Devil Rays, 8-3, in St. Petersburg, Florida.

Griffey, who began the game Tuesday night four homers behind Mark McGwire, broke a weeklong drought with a solo shot off Wilsoo Alvarez in the fourth inning.

Russ Davis, who had been 0-for-11 in his career against Alvarez, drove in four runs. Davis had a two-run double in

In the National League:

Cubs 3, Braves 0 Kerry Wood outdoed Greg Maddux, pitching 7½ shutout innings and striking out 11 as Chicago defeated the Braves in Atlanta.

"Just went out and turned it up a little," said Wood (9-5), who held the Braves to five hits and reached double figures in strikeouts for the sixth time in 18 major-league starts.

Maddux (13-4), a four-time Cy Young winner, lost for the first time to his former team. Maddux, who was 7-0 with a 1.51 earned-run average against the Cubs, allowed three runs and five hits in seven innings.

It was a rough night for Andrew Jones, the Braves' 21-year-old center fielder. He was thrown out at home after running through a coach's sign, struck out with the bases loaded and was replaced in the middle of the eighth inning by Bobby Cox, the Atlanta manager, for failing to hustle when a soft line drive dropped in front of him.

"It was obvious that he didn't try for the ball," Cox said.

Jones countered: "I always give 100 percent, especially on defense."

Freddie 5, Astros 0 In Houston, Mark Brownson pitched five no-hit innings in his major league debut and finished with a four-hitter as Colorado snapped a nine-game road losing streak.

Brownson replaced the injured John Thomson in the starting rotation and dominated the Astros, who lead the NL in runs scored with 543. Brownson struck out seven and walked one.

Diamondbacks 5, Giants 3 Devon White's bases-loaded single capped a three-run rally in the seventh inning that lifted Arizona to victory in San Francisco.

Trailing, 3-1, in the seventh, the Diamondbacks rallied against Orel Hershisser and Rich Rodriguez. Hershisser allowed seven hits and four runs in 6½ innings.

Padres 6, Cardinals 3 In San Diego, Kevin Brown held Mark McGwire hitless and won his ninth straight decision.

Phillies 3, Expos 2 In Montreal, Mark Portugal pitched a four-hitter as Philadelphia won its third straight.

Brewers 6, Marlins 4 Mark Loretta snapped a tie with a run-scoring double in the ninth as Milwaukee won in Miami to complete a season sweep of the Marlins. The Brewers, who came back from a 4-0 deficit, won all nine games from Florida this season.

Mets 4, Pirates 0 In New York, Rick Reed pitched eight shutout innings and drove in a run as the Mets snapped Pittsburgh's four-game winning streak.

Dodgers 4, Reds 2 In Los Angeles, Ismael Valdes won consecutive starts for the first time since last August, and Adrian Beltré hit a two-run homer for the Dodgers.

McGwire Makes Cards A Red-Hot Attraction

By Richard Sandimir
New York Times Service

NEW YORK — In St. Louis, Cardinals fans are snapping up blocks of tickets for mid- and late September, preparing for the moment when, they believe, Mark McGwire will clout his 62d home run. And, hoping to touch what the Bunyanesque slugger has bashed, fans are clamoring for faraway seats in the outer reaches of left field.

"We've had postseason frenzies, but this has been going on since April," said Kevin Wade, the Cardinals' group director of ticket sales.

McGwire's pursuit of Roger Maris's home run mark has turned the Cardinals into a hot attraction despite their 46-57 record. St. Louis's average home attendance of 38,377 trails only four National League teams; its 33,254 road average is sixth. There have been seven home sellouts, but tickets are still available for the 14 dates in September when the Cardinals will play in St. Louis.

The Giants expected McGwire to lure an additional 15,000 fans Wednesday and Thursday in San Francisco.

"McGwire's impact is pretty dramatic," said Bob Rose, a Giants spokesman. "You've got a lot of McGwire fans from his days in Oakland, but we've already had some remarkable games against him with the Cardinals."

McGwire's clout with fans was evident at San Diego's Qualcomm Stadium, where the Padres average 18,000 on Monday nights. This week, 32,139 fans turned out to watch McGwire, stroke his 43d home run. They hooped when he was removed for a pinch-hitter, with the bases loaded in the ninth inning of a 13-1 Cards victory. "People come out hoping he'll hit a home run and, hoping that he'll lose," said Glenn Gaffner, a Padres spokesman.

Now imagine it is Sept. 27 in St. Louis, the final day of the regular season: the Cardinals against Montreal. Then visualize that McGwire has 62 home runs and needs the final one to pass Maris, as Maris needed Oct. 1961, to surpass Babe Ruth. Finally, envision 20,000 fans in Busch Stadium, which fits 49,625.

It is almost inconceivable that so few fans would show up for such a momentous occasion. But that's just what happened when Maris drew closer to Ruth: the fans stopped coming. And Maris wasn't the only reason to show up. The Yankees were playing phenomenally. They would win 109 games and finish eight games ahead of the American League pack.

On Sept. 10, 1961, the Yankees drove 57,824 for a doubleheader, the day after Maris hit his 56th home run. Maris hit three more home runs on the road, two in Detroit, before crowds of 35,820 and 44,219, and one in Baltimore.

In the Yankees' first game back in the Bronx against Baltimore, Maris struck No. 60, before 19,401 fans. The next game, he sat out, and only 7,594 showed up. The season-ending series against Boston continued the mystery: the first game drew 21,485 and the second 29,182 (including 10,000 free). When Maris ripped no. 61 to right field off Tracy Stallard, there were but 23,154 witnesses, most of them apparently in the right-field bleachers.

"I remember hearing people say they would go to the game only if they could get a seat in the right-field stands," said Marty Appel, a former Yankees publicist and producer of their television games. "But there might have been 11,000 there if a restaurateur hadn't offered \$5,000 for the home run ball."

Perhaps the attendance was a backlash against the less-admired Maris overtaking the legendary Ruth. Maybe fans lost interest when baseball's commissioner, Ford Frick, ordained that Maris would be the home run record holder only if he topped Ruth in 154 games. Maris did not, in the first 162-game season of the expansion era.

"Frick ruled on July 18 and Maris's 154th game in Baltimore became the deadline," said Steve Hirdt, executive vice president of the Elias Sports Bureau. By then, Maris had 59.

Even if Frick's ruling dampened the fans' fervor in Maris's pursuit of Ruth, it does not explain Yankee Stadium attendance in 1961. The Yankees were one of baseball's best teams ever, yet averaged 24,481 in August and 32,766 in September and October. Only 1.7 million fans attended games that season, even without a National League team in town. St. Louis, however, has already drawn 1.8 million fans this season, up 17 percent from last year.

LIVE - Football

FC Copenhagen v Ajax

19.00 (CET) today

EUROSPORT

Eurosport, Europe's No. 1 Sports TV Channel, available on cable and satellite

SPORTS

Pantani Easily Wins Last Pyrenees Stage

Ulrich Is in Yellow as Tour Heads to Alps

By Samuel Abt
International Herald Tribune

PLATEAU DE BEILLE, France — Marco Pantani has been saying for months that this is not a Tour de France for climbers, among whom he is by far the best. Not demanding enough, he insists, not enough mountains, not enough finishes on peaks to deprive lesser climbers of their chance to make up lost time on long descents.

Enough, enough, or *basta*, as the Italian leader of the Mercatone Uno team would say. Pantani rode a wonderful race Wednesday, timing his acceleration away from the pack exactly right and climbing with nimble ease to win the last of two stages in the Pyrenees.

He finished one minute 26 seconds ahead after the 170-kilometer (105-mile) 11th stage, from Luchon to the dusty and uninhabited Plateau de Beille, as the sun returned and the temperature hovered around 30 degrees centigrade (85 degrees Fahrenheit).

Pantani also rose from 11th to fourth place overall with the Alps, his other playground, still to come. Three days of climbing there start Monday.

Bobby Julich, an American, who rides for the Cofidis team based in France, came in third and solidified his lead on second place overall. He also finished seven seconds ahead of Jan Ulrich, the defending champion and the man in the leader's yellow jersey.

"I felt comfortable during the last climb," Julich said, referring to the 16 steep kilometers rated beyond category in difficulty. "I even felt stronger at the top," where he left Ulrich behind in the final kilometer. "I rode a cautious race," Julich continued. "I've got to lay it on the line in the Alps and see if I can win this thing."

He trails Ulrich, a German with Telekom, by 1:11. Third overall is Laurent Jalabert, a Frenchman with ONCE, 3:01 behind, the same deficit that Pantani has in fourth place. Another favorite, Abraham Olano, the Spanish leader of the Banesto team, quit Wednesday because of injuries in a crash the day before.

Ulrich labored mightily at the front of the pack chasing Pantani up the final ascent, setting a strong pace with Julich on his back wheel. At one point, the German looked around for a teammate, seeking some help, found nobody and carried on the pursuit himself. Even when he faltered, he still finished eighth in the 149-man field.

After all his troubles with weight and lost racing time this spring, Ulrich has come through the Pyrenees in yellow and looks strong. Many riders, including Julich, have been warning that Pantani could become his main rival, but that may depend on the final time trial, a day before the finish in Paris on Aug. 2, where Ulrich will be heavily favored.

A lot will also depend on how well Julich bears the pressure in only his second Tour. After the crash, injury and withdrawal Tuesday of the Cofidis leader, Francesco Casagrande, Julich heads the team. His troops include two other riders who excelled Wednesday: Roland Meier, a Swiss, finished second after a long breakaway and Kevin Livingston, an American, finished ninth, 2:01 behind Pantani.

Cofidis, a team in its second year and one with few results earlier this season, has Julich in second place, Meier in ninth and Livingston in 11th — and all are strong climbers.

Nobody climbs faster than Pantani, however. He proved that again with his fifth stage victory in the Tour and his triumph last month in the three-week Giro d'Italia, where he crushed the pack in the mountains.

"He's got great class, Pantani, a truly great climber," said another of that breed, Lucien Van Impe, who won the Tour in 1976. Now a driver for a Belgian newspaper's car in the race, Van Impe bubbled over with praise Wednesday morning for the Italian. "He's alone, the best in the world right now."

But Pantani does tend sometimes to accelerate too late, as he did Tuesday, when he finished second after a long descent in which he could not overtake the leader.

"That's because he doesn't always use his head," Van Impe said. "That's his problem: He climbs with his legs, not always with his head."

It was no problem Wednesday. Pantani sped away from about 20 riders after a kilometer or two of the final climb and just kept speeding away. He overtook Meier, who had led him by four minutes earlier, within five kilometers and rushed to the summit, pausing only to pour fans' bottles of water over his shaven head.

With the heavy fog of Tuesday gone, the stage across the Pyrenees afforded gorgeous views of the forested mountains and their villages of gray stone houses and slate roofs. The sky was a



Marco Pantani wearily celebrating as he won Wednesday's stage.

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flawless baby blue and the pastoral quality of the day rang with the sound of bells from grazing herds of cattle.

There was a solemn sense to the stage as well. The pack paused at the Kilometer 40 while flowers were laid at the monument to Fabio Casarrelli, the Italian rider with Motorola who died after a crash there on July 18, 1995, a month short of his 25th birthday.

Shortly thereafter, Meier attacked. Large crowds applauded him en route and even passengers on a train that briefly ran alongside the course leaned out the windows to cheer him on. The Swiss had a good thing going for him until Pantani used his head.

In Badwill 100 Meters, Greene Outprints Foes

By Jere Longman
New York Times Service

UNIONDALE, New York — The 100-meter world champion Maurice Greene beat his training partner, Ato Boldon, to win the Goodwill Games event in 9.96 seconds. Considering that the race was run into a 2-mile-an-hour headwind, it was one of the greatest 100 meters ever run.

Boldon, of Trinidad, finished second in 10.00, while Donovan Bailey of Canada, the 1996 Olympic champion and world record-holder at 9.84 seconds, was seventh in 10.30 seconds. Greene, who won the 1997 world championship, and Boldon, the 1996 Olympic bronze medalist, train with coach John Smith in Los Angeles. Of the top sprinters, only Frankie Fredericks of Namibia missed the race.

"That's one of the most impressive races I've ever seen," Smith said. With Greene, Boldon and Bailey, trash-talking in the open 100 meters has come to rival the bluster of professional wrestling. Bailey has made thinly veiled drug references to Greene and Boldon. Greene has said that Bailey was using injuries as an excuse to duck Greene and Boldon this season and to explain away inevitable failure.

Greene was a sprinter of unfulfilled potential until he moved last season from his home in Kansas City to train with Boldon and Smith. By late summer of 1997, Smith had refocused Greene's technique, teaching him to use his speed more evenly and maintain it longer in the 100 meters.

In the past, Greene had often produced searing starts only to run out of gas before the finish. Smith took apart Greene's engine and put it back together again. Greene won the 1997 U.S. championship. His rivalry with Bailey began at the world championships in Athens a month later.

In the semifinals, Bailey looked dismissively at Greene, asserting that he was over his nagging injuries and said, "I'm back." Greene replied, "Yeah, but I gotcha." And in the final he did, winning the world title with a personal best of 9.86 seconds. As he crossed the finish line in Athens, Greene stuck his tongue out scornfully at Bailey.

"It could be a hot summer," Boldon said Tuesday. "Frankie's hot, I'm hot, Maurice is hot."

Chinese Gymnast Paralyzed in U.S.

The Associated Press

UNIONDALE, New York — A Chinese gymnast, Sang Lan, was paralyzed Tuesday when she damaged her spine while practicing for the women's vault in the Goodwill Games.

"At this time, she is paralyzed and cannot move her legs and she has a minimal amount of motion in her arms," said Dr. Brock Schnebel, chief physician of the Goodwill Games.

Miss Sang, 17, injured her neck during warm-ups for the women's individual apparatus events. Officials said she was attempting a forward vault and lost control in midair, striking the ground head first. She was carried off the floor of Nassau Coliseum on a stretcher and taken to Nassau County Medical Center for a CAT scan.

Officials were trying to contact her family in China. Dr. Schnebel said Miss Sang's spine was injured when her chin was forced down and forward onto her chest.

He said she had a "fractured-dislocation" of the sixth and seventh cervical vertebrae.

Michael Johnson continued his comeback from hamstring injuries in the 400 meters with a time of 43.76 seconds, the fastest in the world this year. It was the first time anyone has run under 44 seconds since April 1997, when Johnson opened his season with a time of 43.75.

Three Washington pulled ahead entering the final turn. But Johnson has apparently regained his endurance. He drew ahead in the middle of the curve and hammered through the final 150 meters to win convincingly. Washington finished second in 44.3.

In the final heptathlon of a career that has produced two Olympic gold medals in the event, Jackie Joyner-Kersey tied for first after three events but faded in the 200 meters to fall to second.

SCOREBOARD

BASEBALL

AMERICAN LEAGUE

EAST DIVISION

W	L	Pct.	GB
New York	70	25	.737
Toronto	57	41	.582
Baltimore	50	51	.495
Chicago	42	57	.424
Minnesota	36	62	.367

CENTRAL DIVISION

W	L	Pct.	GB
Cleveland	56	43	.564
Minnesota	45	53	.459
Chicago	44	56	.440
Kansas City	42	59	.412
Detroit	42	59	.412

WEST DIVISION

W	L	Pct.	GB
Seattle	55	44	.556
Anaheim	53	45	.541
Oakland	46	52	.469
San Diego	46	52	.469

NATIONAL LEAGUE

EAST DIVISION

W	L	Pct.	GB
Atlanta	65	35	.650
Philadelphia	51	46	.524
New York	49	48	.510
Florida	49	48	.510

CENTRAL DIVISION

W	L	Pct.	GB
Houston	58	34	.629
Chicago	55	44	.556
St. Louis	48	51	.484
Pittsburgh	46	53	.460

WEST DIVISION

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DENNIS THE MENACE

"I'M JUST MAKING A WITHDRAWAL."

THAT SCRAMBLED WORD GAME by David Sorenson and the author.

Use the words in the list below to form words of 4 or more letters. Do not use the same letter more than once in a word.

Now arrange the letters below to form the scrambled words, as indicated by the letters in parentheses.

Scrambled words: RINPT, DOIMI, MOINCE, CAPALE.

Answers: RINPT (PINT), DOIMI (MID), MOINCE (MINE), CAPALE (PAC).

Answers: RINPT (PINT), DOIMI (MID), MOINCE (MINE), CAPALE (PAC).

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ART BUCHWALD

Getting a 2d Opinion

WASHINGTON — Every year there is a particular industry that gets people mad at it. This year it is the for-profit medical plans that are making it more complicated for clients to get their health care.

In the beginning the health-insurance companies seemed to be the solution to all our problems. On one side were the executives, who were willing to bet policyholders that they wouldn't get sick. On the other side were the policyholders, who lived in a deathly fear that they would.

At first the profit-making health insurers insisted they were there only to serve the public. But as time went on they admitted they were really there to serve the stockholders.

To make a reasonable profit, new rules were issued and the bureaucracy became worse than it is in the IRS.

This is why the public is now biting its fingernails.

Eugene O'Neill Fest

New York Times Service

NEW YORK — In the first installment of a plan to stage all 49 of Eugene O'Neill's works in the next eight years, Playwrights Theatre will hold a festival of musical performances, stagings, forums and variations on his creations from Aug. 4 to Sept. 11.

All are to take place at the Provincetown Playhouse in Greenwich Village, home of O'Neill's first New York production, "Bound East for Cardiff," in 1916.

"Can I help you?"
"Yes, I am a member of the Newpain Beneficial Health Insurance plan. I would like my tonsils removed."

"Who said you should have it done?"
"My doctor."

"What does he know? Before we pay for it, you will have to talk to Miss Clara Foradycie in our second-opinion diagnosis department."

"Who is she?"
"She's our expert medical chief, and all tonsil operations have to go through her."

"Is she a doctor?"
"No, she previously worked in an animal hospital and gave shampoos to dogs and cats."

"I don't see why she should decide whether I should have a tonsillectomy or not."

"Listen, buster, we're not in this business for our health. We can't make money if we have to O.K. the removal of every Tom, Dick or Harry's tonsils."

"But your advertisements say you will keep me well in sickness and in health."

"A good policyholder doesn't get sick. A good policyholder doesn't keep calling up our busy staff with some ridiculous medical problem. We prefer our customers to cure themselves through faith healing."

"That's pretty good, but on the off chance that my tonsils may start hurting, can I come back to you and have you reconsider paying for the operation?"

"You can do anything you want to, but I'm warning you, Miss Foradycie bates to be second-guessed."

Truth and Fiction: A Mayor's Singular Venture

By John Vinocur
International Herald Tribune

PAU, France — Will Maximilien de Mauveclair, the young, left-leaning, civic-minded baron with lilac eyes, become mayor of Pau? Will he be able to reconcile his political ambitions with his homosexual love affair with the equally young and brilliant Bruno de Montchello? Will questionable real estate developers get their hands on the city? And what fate awaits the young and handsome priest, Thierry Mendiondo, and his secret lover, the young and lively Marguerite Merisieu, who sells Pau's finest fruit and vegetables from her parents' spotless market stall?

You could read all 417 pages of "Le Baron Rouge" by Andre Labarrere, who has been mayor of Pau since 1971, and not know for sure. There is sequel written all over the book, several long train rides worth of spite, murder, vengeance and eternal love, just as there is on the career of Labarrere, now 70, who insists he will run again for mayor of Pau, a nice town of 82,000 at the edge of the Pyrenees.

"Le Baron Rouge," which came out this spring from Editions Ramsay, has not gotten much ink in the Paris press, and neither has the fact that Labarrere has mentioned these last months that he is homosexual, the first French elected official of any stature to choose to do so publicly. In a green and quiet place, this has caused barely half a ripple (one nasty letter, Labarrere said), and probably signals that the mayor, a Socialist and former Mitterrand cabinet minister, can keep his job until he is pushing 80, well into the new century.

Labarrere is hardly a gay-rights banner, instead a courtly man who has been in the National Assembly since 1967, putting his skills at smoothing and soothing to use as minister delegate for relations with the Parliament from 1981 to 1986.

His book is set in the late '20s and it has something of the romances of the era, both in an occasional archness of style and its embrace of *les grands sentiments*. But "Le Baron Rouge" doesn't give away a whole lot of what Labarrere, an energetic man, has had on his mind all these years.

If you look at Maximilien de Mauveclair,



Mayor Andre Labarrere of Pau, France, has mentioned publicly that he is homosexual.

the ambitious nobleman/councilman with the purplish eyes, you find Labarrere describing the baron contemplating existence from his terrace in 1928 this way:

"His professional life and his political office imprison him with endless negotiations, crypticisms and phonies. His being suffers the sadness of time that is stolen forever. He all the more appreciates these rarest of moments when he can try to rebuild his soul and his heart. In the 100-year-old rhododendrons, he sees the outlines of Bruno's face, which he attempts to erase by thinking of his political career. Complications can only block his march toward success. Mayor, member of Parliament, minister. All the supposed glories of a political life to be seized in a whirlpool of intrigue. To escape from himself? Maximilien has known for a long time that he will never free himself of his torments. A robin, a little ball of impertinence, who has made a corner of the garden his domain, looks at him. Maximilien would love to confide in him with his two-syllable secret: Bruno!"

With this kind of prose, the mayor seems unlikely to lose many votes in Pau, perhaps

with the exception of a few literary critics. Widely regarded as comfortable and well run, happy with its national basketball champions and outstanding rugby team, the town has never cared much about Labarrere's private life, no great secret here over the years. Instead, the mayor has succeeded in casting himself as Mr. Hands-On, by his own count personally taking 200 to 300 phone calls a week from constituents, keeping the city hall switchboard manned 24 hours a day "by real people not recording machines," and getting up to receive visitors at 5 A.M.

More in the French manner of looking for meaning beyond that which is readily offered, the town has focused its curiosity on why Labarrere chose to go public now. Other French political figures who are widely known as homosexuals have clearly chosen not to discuss their private lives. The least affectionate version of the mayor's choice is that he wanted publicity for his book. Another explanation, coming from people who like and admire him, is that after deaths in his family and among his closest friends, he no longer found sense in an

attitude that seemed for so long to be reasoned discretion.

When Labarrere was asked why, he replied: "It was to encourage young people. I had suffered a lot. And it turned out in the end that all I got was one nasty letter and tremendous encouragement. In a way it was to free myself. I hated the language of caution. My mother was dead, other things had happened, and, in the end, there was almost no reaction within the French political world. I should point out that after all these years, if there is an image of me, it has to do with the job I do and not anything else."

Could other politicians follow his example? "I wouldn't have done it 15, 10 or even 5 years ago. It would have been imprudent. You've got to be well dug in and have an image of frankness. You couldn't start out by saying, 'I'm gay and voilà.' No, they'd break you."

Twenty minutes later the mayor said he wanted to roll back on his view that campaigning as an acknowledged homosexual would mean disaster for a young politician in France today.

"Maybe," he said, "it would not break a person. Maybe it was a bad and an old reflex on my part to say so. But it wouldn't be useful."

The fact is, if he had been fully open about his life 20 years ago, "I wouldn't have lived it any differently. My mistress — my lover, I mean — was always politics," Labarrere said, catching his own slip into a bit of old-time dissembling.

In the mayor's book, Maximilien's lover, Bruno, meeting him at midnight in a municipal garden, pledges he'll help the baron politically, enabling him to take revenge on society.

"It's really getting even with myself," Maximilien corrects. "I had a hard time accepting myself. All the sarcasm and little nudges are still hurtful. It seems to me that once I reach my goal, my personality will affirm itself, and I'll be less anxious."

"Watch out," Bruno advises. "Worry is the politician's essential motor. The day he loses it is the day he risks defeat. Basically, you're a squirrel, eternally on the lookout. But in love, I think, I hope, that you're not so unstable!"



STAR POWER — The actor Tom Hanks and director Steven Spielberg at the Los Angeles premiere of their film "Saving Private Ryan."

THE actress Jodie Foster is a mother for the first time. Foster, 35, gave birth to a boy, Charles Foster, at Cedars-Sinai Medical Center in Los Angeles, her publicist, Pat Kingsley, said. "She's happy as a lark," Kingsley said. Foster, who is unmarried, has never revealed the name of the father and has said she would raise the child alone.

The wife of the media mogul Rupert Murdoch has filed for divorce, nearly three months after the couple separated. Anna Murdoch, a novelist and philanthropist, cited irreconcilable differences and requested spousal support, according to a petition filed in Los Angeles County Superior Court. Murdoch, 67, met his wife when she was a trainee reporter at one of his newspapers, the Sydney Daily Mirror and they married in 1967.

Bob Perry has taken top honors in the 17th annual Bulwer-Lytton Fiction Contest. Organized by the English de-

partment of San Jose State University in California, it challenges entrants to compose bad opening sentences to imaginary novels. But let the 46-year-old corporate lawyer write for himself: "The corpse exhaled the irresistible aroma of a piquant, ancho chili glaze enticingly enhanced with a hint of fresh cilantro as it lay before him, coyly garnished by a garland of variegated radicchio and caramelized onions, and impishly drizzled with glistening rivulets of vintage balsamic vinegar and roasted garlic oil; yes, as he surveyed the body of the slain food

'Gatsby' Tops a 2d List of Best English Novels

The Associated Press

CAMBRIDGE, Massachusetts — A second Top 100 list of the best English-language novels of the century has been released this week.

While the first list was selected by Random House's Modern Library editorial board, a group of mostly white male scholars, historians and authors, the second list was compiled by a group of mostly female, 20-something future publishers at Radcliffe College. The similarities are telling — James Joyce, F. Scott Fitzgerald, John Steinbeck, William Faulkner. The differences are even more so — Zora Neale Hurston, A.A. Milne, E.B. White, Toni Morrison.

Topping Radcliffe's list, which was released Tuesday, was Fitzgerald's "The Great Gatsby," followed by J.D. Salinger's "The Catcher in the Rye" and Steinbeck's "The Grapes of Wrath." Next came "To Kill a Mockingbird," by Harper Lee, and "The Color Purple," by Alice Walker.

The lists shared 47 titles, including four in each Top 10: Joyce's "Ulysses," "Gatsby," "Grapes of Wrath" and Faulkner's "The Sound and the Fury."

critic slumped on the floor of the cozy, but nearly empty bistro, a quick inventory of his senses told corpulent Inspector Moreau that this was, in all likelihood, an inside job. The contest is named for Edward George Bulwer-Lytton, a 19th-century English novelist whose book "Paul Clifford" begins: "It was a dark and stormy night."

She's not the first to waste violin lessons. Madonna has decided not to play the lead in "50 Violins," a movie about an inner-city music teacher. Wes Craven, director of the film, said the problem was "genuine mutual creative differences." Madonna spent three months learning the violin so she could play the role, Daily Variety said.

The city of Chicago has dropped charges that the Grammy-winning singer R. Kelly played his car stereo too loudly. Kelly was arrested in April after he allegedly refused to a request from the police to turn his stereo down.



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